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# Daily Report

# China

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Thursday  
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# Daily Report

## China

FBIS-CHI-95-036

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**General**

**Foreign Ministry Holds Weekly News Conference**

**Hopes Sino-U.S. IPR Talks 'Successful'**

*OW2302094995 Beijing XINHUA in English 0937  
GMT 23 Feb 95*

[FBIS Transcribed Text] Beijing, February 23 (XINHUA)—Chinese Foreign Ministry spokesman Chen Jian said at a weekly news conference here today that China hopes Sino-U.S. talks on intellectual property rights (IPR) will be successful.

According to Chen, since February 15, China and the United States have conducted constructive discussions on the issue of IPR and have made progress.

At present, the new round of talks is still going on, co-chaired by Chinese Vice-Minister Sun Zhenyu of Foreign Trade and Economic Cooperation and U.S. Deputy Trade Representative Barshefsky.

"We wish success to the negotiations," said the spokesman, stressing that China hopes the two sides will iron out differences and reach agreement as soon as possible on the basis of equal consultation and through positive and constructive efforts, and find a proper solution to the problem so as to promote the healthy development of Sino-U.S. relations, trade ties in particular.

**Announces Upcoming Kozyrev Visit**

*OW2302091695 Beijing XINHUA in English 0901  
GMT 23 Feb 95*

[FBIS Transcribed Text] Beijing, February 23 (XINHUA)—Russian Foreign Minister Andrey V. Kozyrev will pay an official visit to China from March 1 to 2, 1995 as guest of Chinese Vice-Premier and Foreign Minister Qian Qichen, a Foreign Ministry spokesman announced here today.

During the visit, the two sides will exchange opinions on the relations between the two countries and on other issues of shared concern, according to the spokesman.

**Announces Spanish Group Visit**

*OW2302092895 Beijing XINHUA in English 0917  
GMT 23 Feb 95*

[FBIS Transcribed Text] Beijing, February 23 (XINHUA)—A delegation from the Senate of Spain, led by its president Juan Jose Laborda Martin, will pay an official goodwill visit to China from February 26 to March 4, a Foreign Ministry spokesman announced here today.

Chen Jian said that the group will come for a week-long visit to China at the invitation of the Standing Committee of the Chinese National People's Congress.

**UN Council Reiterates Peacekeeping Principles**

*OW2202232795 Beijing XINHUA in English 2310  
GMT 22 Feb 95*

[FBIS Transcribed Text] United Nations, February 22 (XINHUA)—The Security Council on Wednesday [22 February] reiterated major peace-keeping principles, stressing that the purposes and principles of the UN Charter should always be strictly observed.

In a statement read out by its President, Legwaila Legwaila of Botswana, the Council said that in the light of recent developments and experience gained, efforts should be made to further enhance the world body's ability to perform the tasks laid down for it under the Charter.

The statement was made after the Council's review of UN Secretary-General Butrus Butrus-Ghali's position paper entitled "Supplement to An Agenda for Peace," which was submitted to the Council at the beginning of this year. The paper is a summary of the implementation of his "An Agenda for Peace," worked out in 1992.

The Council noted that in resolving conflicts, primary emphasis should continue to get placed on the use of peaceful means rather than force. "Without prejudice to its ability to respond to situations on a case-by-case basis, and rapidly and flexibly as the circumstances require," it reiterated "the principles of consent of the parties, impartiality and the non-use of force except in self-defence."

Stressing the importance of the effective implementation of all measures taken by it to maintain or restore international peace and security including economic sanctions, the council agreed that the object of economic sanctions is not to punish but to modify the behavior of the country or party which represents a threat to international peace and security.

The steps of the sanctions should be clearly defined in council resolutions and the sanctions regime in question should be subject to periodic review and it should be lifted when the objectives of the appropriate provisions of the relevant resolutions are achieved, it added.

**Peng Yu Addresses UN Population Commission**

*OW2202115095 Beijing XINHUA in English 1131  
GMT 22 Feb 95*

[FBIS Transcribed Text] United Nations, February 21 (XINHUA)—China's population may hit the 1.3 billion mark by the year 2,000 despite the country's great efforts in population control, a Chinese official told the UN Commission on Population and Development today.

In her statement to the commission's first meeting opening today, Peng Yu, Deputy Minister in Charge of the State Family Planning Commission, said China's birth rate has dropped to less than 20 per thousand with the infant mortality rate down to 45.7 per thousand, due

to her government's unremitting efforts to push ahead with the implementation of its population and development program.

Nevertheless, China is still confronted with a continuous increase of its already enormous population size, Peng said. China's population, which just passed 1.2 billion recently, will increase by 14 million annually, an equivalence of that of Chile or Syria.

"This has forced the Chinese Government and people to consider a more comprehensive approach to the population issue based upon the experience of the nation's population and family planning program in the past," she said.

China has exerted every effort to stabilize her population, with the ultimate aim to realize sustainable development for the people of both present and future generations, she continued.

She also said that China's efforts in population control, which is in accord with the objectives and principles of the Program of Action of the International Conference on Population and Development and tallies with the people's long-term interests, have gained more and more support from her people.

The commission, established under the UN Economic and Social Council last December, is in charge of monitoring, reviewing and assessing the implementation of the Program Action at the national, regional and global levels and advising the council.

In its present session through March 2, the commission will review the monitoring of world population and policies and multilateral population assistance and activities of the United Nations Population Fund.

### United States & Canada

#### Officials, O'Leary Address Sino-U.S. Energy Summit

OW2202132495 Beijing XINHUA in English 1305  
GMT 22 Feb 95

[FBIS Transcribed Text] Beijing, February 22 (XINHUA)—Chinese Vice-Minister of the State Planning Commission Ye Qing said here today that there would be more opportunities for Sino-U.S. Energy cooperation.

He made the remarks at the China-U.S. Summit on Energy for Sustainable Development and Cooperation co-sponsored by the State Planning Commission of China and the Department of Energy of the United States.

During the summit, Ye Qing made a speech on the current situation, development and overseas cooperation of China's energy industry. Chinese Vice-Minister of the State Science and Technology Commission Deng Nan, in her speech dealt with the measures to implement

China's 21st century agenda. She also made suggestions for Sino-U.S. Energy and environment cooperation.

U.S. Energy Secretary Hazel O'Leary focused her speech on sustainable development and future cooperation in energy industry.

According to Ye, in the past 40 years and more, China has made remarkable progress in its energy industry and a comprehensive and complementary system of energy production and consumption with coal taking the lead has basically been formed.

While looking into Sino-U.S. cooperation prospects in the field of energy, Ye said that China plans to construct a great number of large power stations including nuclear power stations, and expand offshore and land oil exploration and cooperation. It also hopes to absorb foreign funds, technology and equipment in building large-sized and highly efficient mines and coal processing facilities.

Ye said, "The United States, as an industrialized country, is also a big nation in energy production and consumption, having great advantage in technology, management, equipment manufacturing and capital; whereas China, being a developing country, promises a big energy market. There exist many opportunities for Sino-U.S. cooperation of mutual benefit."

Secretary O'Leary pointed out in her speech that China, which has a long-term commitment to market transition, is in substantial need for energy. The United States will capture the opportunity of the Chinese market size to cooperate with China in providing clean and diverse energy along with its expertise.

Attending the summit were the 100-member delegation from the United States as well as Chinese government officials and businessmen in the energy sphere.

After the summit, the two sides had group discussion on financing, electric power, clean coal, oil and gas, renewable energy and efficient cooperation.

#### Further on Summit

OW2302010395 Beijing Central Television Program  
One Network in Mandarin 1100 GMT 22 Feb 95

[Announcer-read report over video; from the "National News Hookup" program]

[FBIS Translated Text] The State Planning Commission and the U.S. Department of Energy jointly held a high-level China-U.S. summit on the sustainable development of and cooperation in energy, in Beijing on 22 February. Ye Qing, vice minister in charge of the State Planning Commission; Deng Nan, vice minister in charge of the State Science and Technology Commission; U.S. Secretary of Energy O'Leary; and hundreds of persons from business circles attended the summit.

At the meeting, both China and the United States expressed their views on issues such as the current

situation and development of China's energy industry and promoting the cooperation between China and the United States in the field of energy. They also discussed some specific issues on renewable energy, efficient cooperation, and others matters.

#### **Qian Qichen Meets With Energy Secretary O'Leary**

*OW2302100195 Beijing XINHUA in English 0947  
GMT 23 Feb 95*

[FBIS Transcribed Text] Beijing, February 23 (XINHUA)—Qian Qichen, Chinese Vice-Premier and Foreign Minister, met here today with Hazel O'Leary, Secretary of Energy of the United States, and U.S. entrepreneurs accompanying her on the China visit.

Qian said that energy industry is one of the important sectors in China's economic development, and the prospect of Sino-U.S. cooperation in this regard is very bright.

He cheerfully recalled his meeting with U.S. Vice-President Al Gore last October, saying that they had a good talk.

O'Leary conveyed Gore's regards, and passed him a letter from Gore.

#### **U.S. Company To Explore Electric Power Market**

*OW2202155795 Beijing XINHUA in English 1547  
GMT 22 Feb 95*

[FBIS Transcribed Text] Beijing, February 22 (XINHUA)—The Aes Generating Co. of the United States will reinforce its cooperation with China through various means, exploring the "promising" Chinese electric power market.

This comment was made by Roger Sant, chairman of the company, during a recent interview with XINHUA. As head of the US delegation of energy enterprises, Sant is here accompanying US Secretary of Energy Hazel O'Leary on her China tour.

Sant said that although it is not long since Aes was established, it has always been concerned about the Chinese market. Last year, it set up a subsidiary in China under the name of Aes China Generating Co. Ltd (AES Chigen), and raised more than 200 million US dollars in investment here last February.

According to him, during that brief period, Aes Chigen has taken part in construction in several electric power projects in China.

Recently, the company signed a contract to invest more than 100 million US dollars in Yangcheng in northwest China's Shanxi Province for the construction of a power plant with a generating capacity of 2.1 million kilowatts.

The power plant, located near the province's coal mines, will involve a total investment of 1.8 billion US dollars and will provide electricity for east China's Jiangsu Province.

The company's first joint venture in China, the Xiangci-Aes Hydroelectric Co. Ltd, is constructing a hydroelectric station in central China's Hunan Province with a capacity of 26,000 kilowatts.

Sant, who has been in China many times, said that he believes that with the development of the economy, China's demand for electricity will exceed that of many other countries in the world.

According to his estimate, the electric power generating capacity will see an annual increase of 1.5 million kilowatts in China, with power output increasing by eight percent annually, an increase of 50 percent to 100 percent higher than in other countries in terms of speed.

Sant said that in the next ten years, China will need an annual investment of 15 to 18 billion US dollars for electric power development, which, he said, will provide many cooperative chances for foreign companies.

As the world's largest independent generating company, Aes is willing to cooperate with China's central and local power bureaus, power plants, and investors through various means, Sant said.

A key participant in developing America's early initiatives to fashion an energy policy, Sant was appointed Assistant Administrator of the US Federal Energy Administration in the 1970s, and was responsible for developing and implementing the administration's energy conservation policy and programs.

Since saving energy is cheaper than generating it, China should make efforts to save energy while developing the electric power industry, he suggested.

He said that China should enhance the utilization efficiency of energy, and control the increase of consumption, as well as introduce new technology and equipment in the manufacturing, processing, and consuming of energy.

Aes has used the most advanced technology and equipment in its cooperation with China, he said.

Environmental protection is another important issue to which China should pay attention while exploring and developing energy, Sant said, adding that the Chinese government has already attached great importance to the issue by passing laws and demanding that new power plants to be environmentally safe.

According to him, in 1994, Aes's plants averaged emission rates which were 50 percent below the legally premitted levels in the U.S., and were one-sixth those of other US plants.

Established in 1981, Aes has power plants in more than 10 countries with two billion in assets and 1994 annual revenues of over 500 million US dollars.

### U.S. Banks Readjust Policy on Extending Credit

OW2302063295 Beijing Central Television Program  
One Network in Mandarin 1411 GMT 21 Feb 95

[Announcer-read video report from the "Night News" program.]

[FBIS Translated Text] The official Import and Export Bank of the United States said in Shanghai yesterday [21 February] that there will be a change in U.S. policy on extending credit to China. In future, in extending loans to finance the construction of energy projects in China, U.S. banks will no longer seek guarantees from the Chinese Government. This means that in the construction of energy projects in China, U.S. and Chinese enterprises will jointly share construction risks and share profits.

The new policy of the U.S Import and Export Bank was announced at a seminar held in Shanghai yesterday. The seminar was called "The Role of Local Government in Sino-U.S. Energy Cooperation." U.S Energy Secretary Hazel O'Leary and the presidents of more than 50 U.S. industrial and commercial enterprises and banking syndicates, who arrived in Shanghai two days ago, took part in the seminar.

In addition to officials from relevant departments in Shanghai, other Chinese personnel attending the seminar included responsible officials from the planning and economic commissions of neighboring provinces.

Hua Jianmin, vice mayor of Shanghai, welcomed the new U.S. Import and Export Bank policy. Speaking at the seminar, he said government-guaranteed funding methods will not only limit capital input but also have little effect on restricting enterprises. He believed that the risks attached to investing in energy projects in China were zero or close to it. He said the country needed sufficient, clean, and rationally priced electrical energy.

Yesterday, the Chinese and U.S. sides also concluded letters of intent and memoranda for seven energy cooperation projects worth \$1 billion.

### Correction to 'Fruitful' Results Expected

HK2202042295

The following correction pertains to the item headlined "Fruitful' Results Expected" published in the United States & Canada section of the 21 February China DAILY REPORT on pages three and four:

Page four, column one, sentence one make read: ...of China's then 500-million-kw power-generating capacity, nuclear... (changing "billion" to "million.")

### Central Eurasia

#### Wu Yi Holds Talks With Kazakhstan Deputy Premier

OW2202140395 Beijing XINHUA in English 1304  
GMT 22 Feb 95

[FBIS Transcribed Text] Beijing, February 22 (XINHUA)—Wu Yi, Chinese minister of Foreign Trade and Economic Cooperation, had an interview here today with the First Deputy Prime Minister of Kazakhstan Isingarin Nigmatzhan Kabatayevich [name as received], both hoping to promote cooperation between big enterprises of their countries.

Wu said, the Chinese government attaches great importance to the development of economic and trade relations with Kazakhstan. The bilateral trade these years has enjoyed remarkable improvement, she said, adding that she hopes both sides would make efforts to create better conditions for furthering the economic and trade ties between the two nations.

The Chinese minister stressed that both should help open the market to the enterprises from the other side. Trading should be carried out on the principle of equality and mutual benefit, thus pushing the bilateral trade and economic relations to a new level. Wu voiced the hope that Kazakhstan would further improve the environment for investment to attract Chinese companies to invest or set up joint ventures in the country.

According to Isingarin, developing Kazakhstan-China trade and economic ties are mutually beneficial. However, the trade volume between the two countries is comparatively small. It's prime time to promote cooperation between companies and enterprises of the two countries. He hopes the two sides would work together in the areas of metallurgy, petro-chemical industry, telecommunications and the manufacturing of tractor, excavator and bulldozer.

#### Topographic Maps of CIS States' Border Drafted

OW2302003195 Beijing China Radio International in Russian 1900 GMT 11 Feb 95

[FBIS Translated Text] The first topographic maps of the eastern section of China's western border with Russia, Kyrgyzstan, Kazakhstan, and Tajikistan were recently drafted by the 8th Topographic Battalion [as heard] of China's Lanzhou People's Liberation Army [PLA] Military District.

#### Shenyang Commemorates Fallen 'Soviet' Soldiers

OW2302130495 Beijing XINHUA in English 1248  
GMT 23 Feb 95

[FBIS Transcribed Text] Shenyang, February 23 (XINHUA)—China laid wreaths today at the monument and

the tomb of the Soviet Red Army generals and soldiers here in Shenyang, capital of northeast China's Liaoning Province.

The ribbons of the wreaths read: "Eternal glory to the Soviet Red Army martyrs who died in the anti-fascist war!"

The wreaths were presented by the Liaoning provincial and Shenyang city people's governments, and the provincial and city associations for friendship with foreign countries.

Russian consulate general in Shenyang also placed wreaths at the monument and the tomb.

Today, the Dalian City People's Government and the Dalian City Association for Friendship with Foreign Countries laid wreaths at a commemorative tower for the martyrs of the former Soviet Army at the Stalin Square and at a cemetery of the Soviet martyrs in Lushunkou District.

### Northeast Asia

#### Government To Help Japan With Kobe Port Reconstruction

OW2202134895 Tokyo NIHON KEIZAI SHIMBUN in Japanese 21 Feb 95 Evening Edition p 1

[FBIS Translated Text] The Chinese Government intends to help reconstruct Kobe Port and give assistance to the Japanese trade industry in an effort to deal with the situation in which Japanese-Chinese trade has been hindered due to the damage at the port by the [17 January] great Hanshin earthquake (in the southern part of Hyogo Prefecture). Kobe Port has played a major role in Japanese-Chinese trade—for instance, trade at the port accounts for about one-fourth of Japan's trade with China. For this reason, the Chinese Government hopes to promote normalization of trade at the port. As the first phase of such efforts, the China Ocean Shipping Company, China's largest shipping company, sent an emergency survey team to Kobe Port and other places.

When the "national secretariat mission to China" of the Japan Association for the Promotion of International Trade visited China in early February, the Chinese Ministry of Foreign Economic Relations and Trade and other relevant organizations briefed members of the mission on these measures. Japan has asked the Chinese side for its cooperation in such issues as the change of the port of destination, the delay in delivery, and the postponement of payment.

#### PLA Deputy Chief Meets ROK Assistant Defense Minister

OW2202140995 Beijing XINHUA in English 1305 GMT 22 Feb 95

[FBIS Transcribed Text] Beijing, February 22 (XINHUA)—Cao Gangchuan, deputy chief of General Staff

of the Chinese People's Liberation Army (PLA), met here Tuesday [22 February] with Lieutenant General Cho Song-tae, assistant minister for policy of the Ministry of National Defence of the Republic of Korea (ROK), and his party.

#### Planning Commission Reports on ROK Investments

OW2302102295 Beijing XINHUA in English 1010 GMT 23 Feb 95

[FBIS Transcribed Text] Beijing, February 23 (XINHUA)—Big enterprise groups from the Republic of Korea (ROK) will invest heavily in the years to come in China's six major industrial sectors.

Information from the State Planning Commission showed that ROK investment is expected to concentrate in farm product-processing, motor-vehicle production, electronics, iron and steel, textile and financial businesses.

Moreover, enterprises from the ROK will also seek Chinese cooperation partners in such fields as paper-making, petro-chemicals and building materials.

From this year, the ROK will increase the import of Chinese garlic, hot pepper, sesame and other agricultural products. ROK businesses have taken China as a large processing base of agricultural products.

As a major motor-vehicle production country in the world, the ROK started developing the Chinese motor market two years ago.

The Daewoo Corporation of the ROK has planned to cooperate with China's Changchun Motor Vehicle Plant to set up a project to produce 150,000 cars a year with an investment of 1.5 billion U.S. dollars.

The Samsung Group of the ROK has pumped 50 million U.S. dollars in building a video-recorder and color TV production line in north China's Tianjin city.

The Goldstar Group will invest 200 million U.S. dollars in Shanghai city and Hunan Province to build a color TV kinescope production line and a video-recorder factory.

The Pohang Iron and Steel Corporation (POSCO), which is the world's second-largest steel maker, is working to set up two or three steel supplying centers in China before 1996. The POSCO plans to build them into big iron and steel producers which can turn out more than seven million tons of steel annually.

Some big textile companies wish to build large cotton mills in east China's Jiangsu and Shandong provinces.

Large financial groups from the ROK will open branch banks in China's five Special Economic Zones and eight open cities.

Zhang Jiufei, deputy director of the Foreign Investment Department of the State Planning Commission, said that the intention of ROK enterprise groups to increase

investment in China conforms to its industrial policies and will be given encouragement.

**Jiang Zemin Meets With Mongolian Party Delegation**

OW2302134795 Beijing XINHUA in English 1324  
GMT 23 Feb 95

[FBIS Transcribed Text] Beijing, February 23 (XINHUA)—Chinese Leader Jiang Zemin said here today that both the Communist Party of China (CPC) and the Chinese government have always placed great importance on developing its good-neighborly ties with Mongolia.

Jiang, general secretary of the CPC Central Committee and Chinese President, made the remarks during a meeting here this afternoon with a delegation from the Mongolian People's Revolutionary Party led by its General Secretary Budragchaagiyn Dash-Yondon.

Jiang said that great changes have taken place in the world over the past few years. But, he noted that it is gratifying that the two parties and the two countries have always maintained their friendly relations and normal exchanges.

He said that the Chinese people have always cherished their friendship with the Mongolian people, hoping that the two sides would join their efforts to promote the development of the traditional friendship between the two nations and the people of the two countries.

Jiang expressed his belief that Dash-Yondon's current China visit will surely help promote the relationship between the CPC and the Mongolia People's Revolutionary Party.

In reply, Dash-Yondon said that the delegation's visit to China has been successful. During their visit, they have witnessed tremendous achievements China has made since its reform and opening up to the outside world.

He said that he was very pleased to note the growing relationship between the two parties and the two countries.

He said he was convinced that such relationship will be furthered.

The delegation arrived here on February 15 at the invitation of the CPC. The following day, Li Shuzheng, head of the International Liaison Department of the CPC Central Committee, held working talks with the delegation.

Besides Beijing, the delegation has also toured Shanghai, Nanjing and Suzhou.

**Mongolian Party Leader Visits Suzhou, Nanjing**

OW2202143295 Nanjing Jiangsu People's Radio Network in Mandarin 2300 GMT 20 Feb 95

[From the "Provincial News Hookup" program]

[FBIS Translated Excerpt] Accompanied by (Qiu Dacheng), deputy secretary general of the CPC Central Committee International Liaison Department, Dash Yonden, general secretary of the Mongolian People's Revolutionary Party, and his entourage arrived in Nanjing from Suzhou by train on the evening of 20 February. [passage omitted]

Cao Keming, deputy secretary of the Jiangsu Provincial CPC Committee; and (Lu Jun) and (Wu Donghua), persons in charge of provincial departments concerned, greeted the general secretary and his entourage at the train station. [passage omitted]

General Secretary Dash Yonden went to Suzhou from Shanghai on 19 February. Yang Xiaotang, Standing Committee member of the provincial party committee and secretary of the Suzhou city party committee, met with the dignitaries from Mongolia at noon the same day. The distinguished guests visited Suzhou's high and new technology zones and village and town enterprises and toured Suzhou Park.

**Southeast Asia & Pacific**

**Deputy Foreign Minister Meets Cambodia's Sihanouk**

OW2202230595 Beijing XINHUA in English 1727  
GMT 22 Feb 95

[FBIS Transcribed Text] Phnom Penh, February 22 (XINHUA)—King Norodom Sihanouk of Cambodia met with visiting Chinese Deputy Foreign Minister Tang Jiaxuan here tonight.

During the meeting, King Sihanouk told Tang that Cambodia is facing arduous tasks of reconstruction

But he said that his country with a population of nearly 10 million is being threatened by roughly the same number of mines. Some 300 people are killed or injured each month by the mines.

He appealed to the international community to provide assistance to help clear the mines.

Earlier in the day, Tang held talks with Cambodian Minister of Foreign Minister and International Cooperation Ung Huot on promoting cooperation between their two countries in many areas.

After the talks, Chinese Ambassador to Cambodia Xie Yue'e and Ung Huot had an exchange of notes on China providing 2,000 tons of rice to Cambodia.

The Chinese deputy foreign minister arrived here today for an official visit.

**Guangxi Clears Landmines Along Border With Vietnam**

OW2202155395 Beijing XINHUA in English 1537  
GMT 22 Feb 95

[FBIS Transcribed Text] Nanning, February 22 (XINHUA)—Guangxi, a southwestern autonomous region

which shares a long border with Vietnam, has cleared all the landmines left over from the late 1970s along the border area through a two-year effort.

A senior local army officer said here today that by the end of last year, Guangxi troops and local people had worked a total of 1,300 days marking 356 mine areas covering 8.4 million square meters. A total of 100,000 mines had been cleared and 537 markers put up.

To pave the way for the rapidly flourishing border trade along the Sino-Vietnamese border, Guangxi started planning for the removal of the mines in 1992, resulting in a large-scale move in 1993.

Owing to those efforts, 1,789 hectares of arable land, 88 hectares of grassland, and 240,000 hectares of forest have been restored, the officer said.

Cheng Kejie, Chairman of the Guangxi Zhuang Autonomous Region, hailed the removal effort as an important move in creating an excellent environment for peace and development, and a great part of the reforms and opening-up to the outside world.

According to local sources, the amount of border trade between Guangxi and Vietnam hit 2.6 billion yuan in 1993 and was a bit higher in 1994. A number of Sino-foreign ventures have been established along the border area as a result of the mine clearance effort.

### Near East & South Asia

#### Memorandum on Sports Cooperation With Israel Signed

OW2302091995 Beijing XINHUA in English 0831  
GMT 23 Feb 95

[FBIS Transcribed Text] Jerusalem, February 22 (XINHUA)—China and Israel on Wednesday [23 February] signed a memorandum of intent regarding cooperation in the area of sports.

The memorandum was signed in Tel Aviv by Wu Shaizu, the visiting Chinese Minister of the State Commission for Physical Culture and Sports, and Israeli Minister of Education, Culture and Sports Amnon Rubinstein.

Under the document, the two ministries will "encourage and assist exchanges of sports teams, encourage the participation of athletes in competitions at various levels and in various sporting fields, and take steps to facilitate exchanges of coaches for short in-service training programme."

Both sides also agreed to encourage and support direct cooperation between the various sports associations and the signing of agreements between them.

Both sides said that the document is pursuant to the agreement on cultural cooperation signed by the two

countries on May 20, 1993 and hoped that it will "strengthen the ties of understanding and friendship" between the two nations.

Wu arrived here on Monday at the invitation of Rubinstein, becoming the first Chinese sports leader to visit Israel since the two countries established diplomatic ties in 1992. He is scheduled to leave Israel for Hungary on Thursday.

#### 'Feature' on Success of Syrian Province

OW21C2235095 Beijing XINHUA in English 2107  
GMT 21 Feb 95

[Feature by Wang Genbao: "Open Door Policy Brings Prosperity to Syria's Swayda Province"]

[FBIS Transcribed Text] Damascus, February 21 (XINHUA)—Thanks to the government's open-door policy and its hardworking people, Swayda Governorate, once the poorest province in Syria, is undergoing marked development over the past few years in the domains of agriculture and industry.

Ibrahim Moussa Heneidi, Governor of Swayda, made these remarks to XINHUA reporters who were touring the governorate.

Swayda, 106 kilometers from the Syrian capital of Damascus, is known for its charred basalt rocks and haughty mountain summits rising some 1,500 to 1,700 meters.

Its population is mainly engaged in agriculture and handicraft. Its fields are predominantly planted with fruits such as grapes, apples and peaches.

The Governor told XINHUA that his governorate has produced in 1994 some 30,000 tons of apples and 600,000 tons of grapes.

According to him, 18 dams have been constructed since the early 1970s, with an estimated total storage capacity of 65 million cubic meters of water.

Eighty-nine villages in the area have benefited a lot from the dams, the Governor said.

The province's cultivated area amounted to 33,359 hectares for grape and apple plantations, and 51,565 hectares for other agricultural products such as wheat, barley and chick peas, he introduced.

The government's open-policy also encourages its people to make money through promoting traditional culture. Men and women in the area are seen in front of their houses busy making handicrafts, carpets, rugs, embroidery, straw and plates.

Children in Swayda enjoy free education. The province has 224 primary schools, 88 preparatory and secondary schools, 14 technical and vocational schools, and 4 teachers-training institutes.

The government issued an investment law in 1991, which greatly encourages foreigners as well as Syrians to invest in the country.

Thanks to the law, the Jebel Natural Juice Company was established in Swaydaa toward the end of last year with private capital, totaling 10 million U.S. dollars, the Governor said.

Shehada Salahuddin, president of the newly-established company told XINHUA that though the company is set to produce 20,000 tons of juices a year, the total number of workers is only 95, which rises to 250 during the harvest seasons.

#### **'Sources' on Syrian-Egyptian Summit Cited**

*OW1202134995 Beijing XINHUA in English 1333  
GMT 22 Feb 95*

[FBIS Transcribed Text] Damascus, February 22 (XINHUA)—Contacts are being made between Damascus and Cairo for holding a Syrian-Egyptian summit in Syrian capital of Damascus, reliable sources in Damascus said today.

The sources said that Egyptian President Husni Mubarak is likely to visit Damascus before the end of this month to brief Syrian officials on the outcome of the contacts recently made between Egypt and a number of European and Arab states for pushing forward the Middle East peace process, particularly on the deadlocked Syrian-Israeli track.

Mubarak's visit is to be arranged prior to the visit expected in the region by U.S. coordinator for the Middle East peace process Dennis Ross, the sources said.

A Syrian official announced recently that Syria expected the Clinton Administration and the Israeli government to offer new ideas on the Middle East peace process, especially on the stalled Syrian-Israeli track.

The source added that without positive Israeli ideas, there would be no use for resuming the Syrian-Israeli meetings at ambassadorial level in Washington.

The source called on the U.S. Government to play a more positive mediating role and to press Israel to abide by the relevant UN Security Council resolutions, so as to establish a fair and overall peace in the Middle East.

#### **Sub-Saharan Africa**

##### **Leaders Meet Nigerian Military Delegation**

###### **Chi Haotian Meets Group**

*OW1802125195 Beijing XINHUA in English 1225  
GMT 18 Feb 95*

[FBIS Transcribed Text] Beijing, February 18 (XINHUA)—Senior Chinese and Nigerian Army officers

have expressed the hope today to strengthen bilateral cooperation in the military and other fields.

During a meeting with Lt. General Jeremiah T. Useni, minister of the Federal Capital Region, who is leading a Nigerian military delegation during its China visit, Chinese State Councillor and Defense Minister General Chi Haotian said the friendly cooperation between China, a big country in the world, and Nigeria, a big country in Africa, is of great important to peace and stability in their respective regions and in the world at large.

Chi appreciated Nigeria's independent foreign policy and its stance to oppose power politics in international affairs while extending thanks to Nigeria for its position to uphold the "One China" policy.

General Useni shared Chi's view, saying that Nigeria is willing to develop cooperation with China in all fields.

Cao Gangchuan, deputy chief of the General Staff of the Chinese People's Liberation Army, was present on the occasion.

###### **Qian Qichen Meets Group**

*OW1802124795 Beijing XINHUA in English 1157  
GMT 18 Feb 95*

[FBIS Transcribed Text] Beijing, February 18 (XINHUA)—Vice-Premier and Foreign Minister Qian Qichen said here today that China and Nigeria should increase their cooperation in international affairs, particularly at the time when Nigeria is assuming a two-year non-permanent UN Security Council membership currently.

During a meeting with a visiting Nigerian military delegation headed by Lt. General Jeremiah Useni in the Diaoyutai State Guesthouse today, Qian said that both China and Nigeria, as the most populous country in the world and the most populous country in Africa respectively, should further develop bilateral relations and cooperation in international affairs.

Qian praised the achievements the Nigerian people have made in building their country and Nigeria's important role in African affairs, and recalled his successful visit to Nigeria last month.

General Useni conveyed a message from Nigerian head of state Sani Abacha to Chinese President Jiang Zemin. Qian requested the general to forward the regards of President Jiang Zemin and Premier Li Peng to General Abacha and all other Nigerian leaders.

###### **Commentary Urges Somalis To Set Up Coalition Government**

*OW1902001495 Beijing XINHUA in English 1917  
GMT 18 Feb 95*

[("Commentary" by Wang Qinghua: "Inspiring Development in Solving Somali Crisis")]

[FBIS Transcribed Text] Nairobi, February 18 (XINHUA)—Two most powerful warring Somali factions agreed on February 16 that they will set up a joint committee to run the seaport and airport in Mogadishu, the Somali capital, after the United Nations completes its military pullout from the country by March 6.

This is an inspiring development on the way to the settlement of the Somali crisis. Really, it deserves to be hailed.

Practice shows that any force from outside Somalia cannot solve its problems. In December, 1992, the United Nations sent a powerful army equipped with sophisticated weapons to the Horn of Africa country to restore peace, but it failed to bring stability to the war-torn nation.

On the contrary, the appearance of the UN peacekeepers in Somalia has triggered off widespread resistance of the Somali people, and armed conflicts have since occurred ever and anon. During the fire exchanges between UN peacekeepers and the Somalis, more than 100 UN peacekeepers including some from the United States have been killed. As a result, the UN peacekeeping force is forced at last to pull itself out of the country.

The Somali crisis can be solved only by the Somali people themselves. This is because, for the changes of things [as received], internal causes are the bases and external causes are the conditions. Just as Mr. Ibrahim Dagash, Spokesman for the Council of the Organization of African Unity (OAU), has put it: "The restoration of peace in Somalia remains essentially the responsibility of the Somalis and the international community could only help them in the realization of that objective."

Now, the time is coming for the Somalis to solve their own problems as the United Nations will soon complete the withdrawal of all its peacekeepers in Somalia.

Leaders of various warring Somali factions should take this opportunity to cast away animosity and sit together to negotiate over the formation of an interim government and the holding of democratic elections so as to finally achieve national reconciliation.

Now that the Somali faction leaders have agreed to set up a joint committee to run the Mogadishu seaport and airport, they should also have been able to set up a coalition government consisting of all faction leaders to run the country. This is the hope of the war-wearing [as received] Somalis and all the peace-loving people in the world.

**Group Discusses Ties With South African Leaders**  
OW1702001995 Beijing XINHUA in English 2056  
GMT 16 Feb 95

[FBIS Transcribed Text] Cape Town, February 16 (XINHUA)—South African Second Deputy President F.W. De Klerk and Foreign Minister Alfred Nzo said here today that South Africa would like to further develop its relations with the People's Republic of China.

The South African leaders made the remarks when meeting with the visiting Chinese delegation headed by Mr. Liu Shuqing, president of the Chinese People's Institute of Foreign Affairs, and Mr. Ji Peiding, director of the Chinese Center for South African Studies.

Expressing welcome to the Chinese delegation, Mr. De Klerk said he is confident that the visit will help develop relations between South Africa and China.

"I have followed up the fast changing situation in China and I believe that such changes will affect the whole world," the deputy president said.

Foreign Minister Nzo also said that the South African Government of national unity and the Chinese Government share views on many international issues and can establish cooperation on the common ground.

"There is no doubt that the peoples of South Africa and China will continue to promote their ties," Mr. Nzo noted.

Also meeting with the Chinese delegation here today were Parliament Speaker Mrs. Frene Guiwala, President of the Senate of the Parliament Mr. H.J. Coetsee and Chairman of the Foreign Select Committee of the Parliament Mr. A. Raymond.

The Chinese delegation arrived in South Africa on February 12, for a seven-day visit at the invitation of South African Foreign Ministry.

**Tanzanian Minister Praises Relations With PRC**  
OW1802234395 Beijing XINHUA in English 2117  
GMT 18 Feb 95

[FBIS Transcribed Text] Dar es Salaam, February 18 (XINHUA)—Tanzanian Minister for Education and Culture Philemon Sarungi has commended the existing friendly cooperation between Tanzania and China in economic, social and cultural fields.

Sarungi made the remarks while opening the photo-exhibition here today, which is to mark the 30th anniversary of the signing of the treaty of friendship between China and Tanzania.

He said that Tanzania would continue to salute Chinese people and their government for the good commitment they had shown during the past 30 years to support Tanzania and its people to achieve socio-economic development.

Sarungi emphasized that this kind of friendship and cooperation, which had been built under spirit of equality, friendship and peace, must be strengthened for the benefit of the future generations.

He praised China for its assistance which he said include the Tanzania-Zambia Railway (Tazara), the Kiwira Coal Mine in Mbeya and the Mbarali State Rice Farm.

He said that Tanzania had benefited a lot from these projects.

He also emphasized the need of both countries to review and strengthen their cultural cooperation.

Welcoming the Minister to open the exhibition, Chinese Ambassador to Tanzania Xie Youkun said the photo-exhibition had been prepared by the Chinese Embassy in collaboration with the Ministry of Education and Culture of Tanzania.

Ambassador Xie Youkun said the Friendship Treaty was signed 30 years ago in Beijing, China, by former Chairman of the People's Republic of China, late Liu Shaoqi and former President of Tanzania, Mwalimu Julius K. Nyerere when he made his first state visit to China in 1965.

He said since then friendly cooperation including economic cooperation have been strengthened between the two countries.

The photo-exhibition will last seven days.

**Zimbabwe's Mugabe Commends Beijing on Factory Aid**

*OWI702000295 Beijing XINHUA in English 1822  
GMT 16 Feb 95*

[FBIS Transcribed Text] Harare, February 16 (XINHUA)—Zimbabwean President Robert Mugabe today commended the Chinese government for helping the country build a bullet-making factory at Darwendale, about 40 kms north of Harare.

Officially opening the complex, Mugabe said today's commissioning vindicated and demonstrated the historical Zimbabwean-Chinese friendship and collaboration which dated back to the days of Zimbabwe's liberation struggle. "It was the great Chinese People's Republic that supplied us with the weapons and ammunition to prosecute the armed struggle and war of liberation. Today, it is the same Chinese friends who have once more assisted us to build this factory and manufacture weapons and ammunitions for our own self-defence," Mugabe said.

Mugabe, who is on an inspection tour to the factory owned by the Zimbabwean defence industries, also fired several rounds from a light machine-gun to test the quality of small arms ammunition.

**Political & Social**

**AFP Reports on Shanghai Dissident Yang Zhou**

**Fails To Reverse Prison Term**

*HK2202175895 Hong Kong AFP in English 1201 GMT  
22 Feb 95*

[FBIS Transcribed Text] Shanghai, Feb 22 (AFP)—Shanghai dissident Yang Zhou has failed to have his three-year sentence in a labour re-education camp overturned, his wife said Wednesday.

Li Guoping said she was summoned to her neighbourhood public security station Tuesday and told Yang's appeal to be released was rejected by the police administration. No reason was given. "The next thing to do is to go to court," she said.

Yang, the spokesman of the Shanghai-based Chinese Human Rights Association, was arrested last May and charged with publishing reactionary material and stirring up public unrest. He was sentenced in October by police authorities, who are able to sentence people administratively to up to three years in a re-education camp. The process requires no trial.

Yang had appealed his sentence to police officials and will now make his case in Shanghai's Intermediary Court, his wife said.

Yang is one of four Shanghai dissidents who were arrested in a police sweep in May and June last year. All were handed similar sentences.

**Court To Hear Appeal**

*HK2302035695 Hong Kong AFP in English 0345 GMT  
23 Feb 95*

[FBIS Transcribed Text] Shanghai, Feb 23 (AFP)—A district court here will hear next week Shanghai dissident Yang Zhou's appeal against his three-year sentence in a re-education camp handed down by police, his wife said Thursday.

Li Guoping said she met the judge handling Yang's case Wednesday and he told her husband's case would open in Huangpu district court Monday.

"I told the judge this is too sudden and I asked for a delay so that I can hire a lawyer for my husband," said Li, who was informed only Tuesday that her husband's appeal to police to reconsider the sentence was rejected.

Li, who is a debarred lawyer, said the judge told her police informed Yang of the outcome of his appeal in the middle of January and her husband submitted his appeal against the decision to court the same month.

Yang, the spokesman of the Shanghai-based China Human Rights Association, is one of four Shanghai dissidents who were arrested in a police sweep in May and June last year. All were handed similar sentences.

He was sentenced in October by police authorities which, under Chinese law, can send people to reeducation camp without trial.

**Supervision Ministry Meets on Fighting Corruption**

*OW2302035395 Beijing XINHUA Domestic Service in Chinese 1057 GMT 21 Feb 95*

[FBIS Translated Text] On 21 February, the Supervision Ministry invited special supervisors to a forum to study and discuss the guidelines set forth at the Fifth Plenary Meeting of the Discipline Inspection Commission under the CPC Central Committee, and at the State Council's Anticorruption Working Conference. Cao Qingze, deputy secretary of the Discipline Inspection Commission and minister of supervision, stressed the need to pay attention to an in-depth approach, genuine implementation, effectiveness, giving full play to the role of special supervisors, and constant enhancing of party style and honest administration building in this year's anticorruption task.

At the meeting, a leading comrade from the Supervision Ministry transmitted General Secretary Jiang Zemin's important speech and the guidelines laid down at the Fifth Plenary Meeting of the Discipline Inspection Commission, as well as Premier Li Peng's important speech at the State Council's Anticorruption Working Conference.

Special supervisors at the meeting spoke freely about their studies based on actual participation in supervisory work. They were of the view that the three anticorruption tasks set forth by the CPC Central Committee did achieve some varying degree of results last year. They pointed out, however, that there are still some negative and corrupt phenomena that have not been fundamentally checked. Therefore, the tasks ahead are still arduous and there is a need to emphasize an in-depth approach and true implementation in the anticorruption task. They said the fundamental measures that need to be adopted to fight corruption and guard against a change of socialist nature are to enhance the party's ideological and political building; to inculcate all party members and cadres with a correct outlook on life; to resist the corrosive influence of money worship, ultra-individualism, and capitalist corrupt lifestyle; to constantly raise one's own ideological and political quality; to formulate and improve laws, regulations, and systems; and to strengthen restraining mechanisms. Meeting participants were also of the view that to step up investigation into major and important cases, it is necessary to target leading cadres. To serve as a warning, severe punishment should be particularly meted out to corrupt elements holding high posts and to corrupt elements whose acts have had a big impact on society.

Ever since institution of the system of special supervisors in 1989, the Supervision Ministry has used the service of some 40 special supervisors from eight democratic parties, the All-China Federation of Industry and Commerce, and social groups including worker's, youth, and

women's organizations. Over the past several years, special supervisors have been actively involved in administrative supervision work and in the anticorruption struggle. They did not complain about hardships, did their best, and contributed to the enhancement of administrative supervision work and to the progress of the anticorruption struggle.

The forum was presided over by Vice Supervision Minister Feng Tiyun. Vice Supervision Ministers He Yong and Li Zhilun, and relevant persons in charge from the United Front Department under the CPC Central Committee, attended the meeting.

#### Guangzhou Arrests Nearly 200 With Fake Passports

HK2302004795 Beijing ZHONGGUO XINWEN SHE in English 1146 GMT 22 Feb 95

[FBIS Transcribed Text] Guangzhou, February 22 (CNS)—Since the beginning of this year, border control officials at the Guangzhou Baiyun Airport have arrested nearly 200 Chinese travellers holding fake passports and visas. The figure has risen by a very large margin and is alarming.

It was reported that they obtained the fake passports and visas through so-called "agencies".

On January 29, when carrying out checks, border control officials at Baiyun Airport found a group of 16 travellers, who were originally from Wenzhou, looking rather suspicious. After checking their passports, it was found that some of the photographs were substitutes and there were clearly cases of impersonation.

After questioning, they confessed that they obtained the passports with Italian visas at a cost of 3,000 yuan per person as handling fees, from a person, surnamed Li, who claimed to be the supervisor of a travel agency in a northern province. The group of 16 paid 48,000 yuan to Li and they each agreed to pay him a further 120,000 yuan when they arrived in Italy.

A few days later, they met Li again to give him the money and at the same time, receive the passports from him. When they received the passports, they discovered that the passports were fake carrying fictitious personal details on names and dates of birth.

A week later, the group of 16 went to Guangzhou, and then arrived in Hong Kong on January 19 where they obtained Thai and Italian visas. On January 24, they boarded a plane for Thailand but were intercepted by the Thai Immigration because of shortage of funds. They were repatriated to Hong Kong, then proceeded to Guangzhou, where they were arrested.

Border control officials appealed to travellers to be cautious of persons who claimed they could apply for passports and visas on their behalf.

#### Government Allows More Travel Abroad in '94

OW2302045495 Beijing XINHUA in English 0347  
GMT 23 Feb 95

[FBIS Transcribed Text] Beijing, February 23 (XINHUA)—China gave approval to 705,000 of its citizens to go abroad for personal affairs in 1994, 11,000 more in number than 1993.

To date, more than 3.33 million Chinese citizens have traveled abroad for personal affairs since 1979, according to today's China Youth Daily.

China had imposed rigid control over its citizens' applications for going abroad for personal affairs before its reform and opening up to the outside world. Only 210,000 such applications were approved between 1949 and 1978.

Since 1979, more Chinese citizens have been allowed to go to other countries or regions for further education, visiting friends and relatives, doing business, sightseeing, labor service and other personal affairs. Even more have been approved since 1986 when China began implementing a law on Chinese citizens' exit and entry.

In the year of 1988 alone, China approved 210,000 applications submitted by its citizens for going abroad for personal affairs.

The number has increased rapidly since then.

By the end of last year, the country had approved a total of 3.54 million such applicants to go to 197 countries and regions since the founding of the People's Republic of China in 1949.

#### XINHUA Reports on Meeting of Writers' Association

##### Original Version

OW2302053095 Beijing XINHUA Domestic Service in Chinese 0845 GMT 22 Feb 95

[By reporter Qu Zhihong (2575 1807 4767)]

[FBIS Translated Text] Beijing, 22 Feb (XINHUA)—At a work meeting of the Chinese Writers' Association in Beijing today, this reporter learned that the association's presidium meeting, which was not held as scheduled for many years for a variety of reasons [you yu zhong zhong yuan yin 3945 0060 4429 4429 0626 0936], will be held in Shanghai in March this year. The meeting will make corresponding decisions on some of the association's important issues and personnel arrangements.

To prepare for the presidium meeting, the theme of the association's work meeting was an analysis of and report on situations, unifying understanding, exchanging opinions, and defining tasks. In his speech, Zhai Taifeng, party group secretary of the Chinese Writers' Association, said: As the nation is currently undertaking arduous pioneering tasks as well as comprehensively promoting

reform and opening up, the association should serve the overall tasks of the party and the nation better. He said: We have made tremendous achievements in our literary work in recent years and produced a batch of fine works fairly well received by the people. Compared to the work of others, however, we still lag very far behind. Therefore, it is particularly necessary for us to earnestly discuss, consult, summarize, and implement the party Central Committee's overall work plan to promote a new situation that is "united, zealous, active, and prosperous" for the nation's literary circles, and produce excellent works worthy of the times.

In his work report, Association Secretary Zhang Qie reviewed progress the association made in 1994 in promoting writing, servicing writers, and initiating Chinese-foreign literary exchange. He pointed out that the basic demands of the association's work in 1995 are to make friends extensively, to enhance unity, to gear the association toward writers, to strive to serve, to reform systems, and to understand opinions, centering its key task on vigorously promoting the writing of literature. For these reasons, the Chinese Writers' Association will in the new year establish a group of writing liaison centers or writing bases to create the right conditions for writers to plunge into the thick of life and for mutual exchanges of work; to re-establish, revise, and improve the work of the association's various committees, and provide guidance for literary creation in accordance with the regular practice of the literary circles. In addition, we will improve the association's task in award appraisals as well as do a good job in selecting the winners of the Fourth Maodun Literary Award, and in preparing for the First Huaxia Literary Award. Meanwhile, the association will do more practical work to accelerate the training of young writers and the establishment of a new type of literary team that will work into the next century.

Over 80 representatives, including members of the Chinese Writers' Association's party group and secretariat; persons in charge of the association's various units; provinces, municipalities, regions, and some cities with provincial level economic decision-making authorities; literary associations; and writers' associations, attended the meeting.

#### Replacement Version

OW2302054595 Beijing XINHUA Domestic Service in Chinese 1611 GMT 22 Feb 95

[By reporter Qu Zhihong (2575 1807 4767); Beijing XINHUA Domestic Service in Chinese at 1611 GMT on 22 February transmits a service message cancelling the above item and asking it be replaced with the following version]

[FBIS Translated Text] Beijing, 22 Feb (XINHUA)—At a work meeting of the Chinese Writers' Association in Beijing today, this reporter learned that the association's presidium meeting will be held in Shanghai in March

this year. The meeting will make decisions on some of the association's important issues and personnel arrangements.

As advance preparation for the presidium meeting, the theme of the association's work meeting was an analysis of and report on situations, unifying understanding, exchanging opinions, and defining tasks. In his speech, Zhai Taifeng, deputy head of the party Central Committee's Propaganda Department and party group secretary of the Chinese Writers' Association, transmitted the CPC Central Committee's and General Secretary Jiang Zemin's important directives on promoting literary work as well as made specific plans for the creation of novels and children's literature, on which Comrade Jiang Zemin showed great concern. He said: As the nation is currently undertaking arduous pioneering tasks, as well as comprehensively promoting reform and opening up, the association should serve the overall tasks of the party and the nation better.

He said: We have made tremendous achievements in our literary work in recent years and produced a batch of fine works fairly well received by the people. Compared to the work of others, however, we still lag very far behind. Therefore, we must earnestly discuss, consult, summarize, and implement the party Central Committee's overall work plan to promote a new situation that is "united, zealous, active, and prosperous" for the nation's literary circles, and produce excellent works worthy of the times.

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#### **Penalties for Infringing Workers' Rights Detailed**

*HK2302070595 Beijing XINHUA Domestic Service in Chinese 0122 GMT 11 Feb 95*

[Article by staff reporters Wu Jincai (0702 6930 2088) and Fu Gang (0265 0474) under the "XINHUA Letterbox" rubric: "What Are the Punishments for Infringing the Rights and Interests of Laborers?"]

[FBIS Translated Text] Beijing 11 Feb (XINHUA)—Behavior in violation of the "Labor Law" will involve administrative penalties. Concerning this matter, the Ministry of Labor has promulgated special methods for meting out penalties. Should an employer unit infringe laborers' work time and rewards, it will be severely punished.

—If an employer unit compels workers to extend their hours without negotiating with the workers' trade union and its workers, the unit will be given a warning, along with an order to correct such practices. At the same time, a per capita standard fine of less than 100 yuan may be meted out to the employer unit concerned.

—If workers' hours in an employer unit exceed those prescribed by three hours each day, or by 36 hours each month, the employer unit should be given a warning, along with an order to correct such practices. At the same time, a per capita standard fine of less than 100 yuan may be meted out to the employer unit concerned.

—An employer unit may be ordered to pay indemnities to its workers up to a total of five times its workers' wages and economic compensation put together if it should infringe their legitimate rights and interests in any of the following ways: Deducting workers' wages or deliberately causing their payment to be in arrears; refusing to pay overtime; paying workers' wages at a rate lower than the local minimum standard wage; and failing to give workers economic compensation after their work contracts have been nullified according to the law.

#### **'Judges Law' Proposes New Ranking System**

*HK2302115295 Beijing CHINA DAILY in English 23 Feb 95 p 1*

[By Ma Chenguang: "New Ranks Proposed for Top Legal Officials"]

[FBIS Transcribed Text] China will offer a new four-tier judicial rank to its judges and procurators to converge with international practices and enhance professional consciousness in a bid to consolidate the legal team.

Judicial ranks include a top judge, grand judges, senior judges, and judges, according to a draft Judges Law

deliberated yesterday at the ongoing session of the Standing Committee of the National People's Congress (NPC).

Procurators' ranks are a top procurator-general, grand procurators, senior procurators, and procurators, as indicated in the draft Procurators Law.

Ranks of the top judge and procurator will go to the President of the Supreme People's Court and the Procurator-General of the Supreme People's Procuratorate.

These grades will run parallel with their previous administrative ranks.

The two drafts also stipulate the judges and procurators are to work under Chinese laws, with no interference from state administrative organs, social institutions, and individuals.

Some lawmakers expect the two drafts will go through the 12th NPC Standing Committee session that began on Tuesday in Beijing.

Lawmaker Zhou Zhanao said China's booming economic activities were putting much pressure on the judges and procurators because they now have to explore mounting cases, especially economic ones.

These judicial workers deserve these encouraging measures, said Zhou at a penal discussion yesterday. They also merit awards and wage raises, he added.

#### **\*Article Views Deng's Development of Mao Thought**

*95CM0134A Beijing JINGJI RIBAO in Chinese 24 Jan 95 p 7*

[Article by Li Junru (2621 0089 1172): "How Deng Xiaoping Handles the Correlation Between Adherence to and Development of Ideology"]

[FBIS Translated Text] Summary. Correct handling of the correlation between adherence to and development of Marxism and Mao Zedong Thought is a key point in Deng Xiaoping's theory on building socialism with distinctive Chinese characteristics. The two major theoretical tasks that Comrade Deng Xiaoping has posed and diligently solved since the Third Plenary Session of the 11th Party Central Committee are: First, understanding the magnificent achievements of Comrade Mao Zedong in an historical and scientific way and mastering the scientific system of Mao Zedong Thought fully and accurately. Second, combining the universal tenets of Marxism and Mao Zedong Thought with actual practice in socialist modernization and developing them under new historical conditions. This requires both adherence to and development of ideology. Adherence is for the purpose of development, and development is the best kind of adherence. The bond that ties together "adherence" and "development" is the principle of seeking truth in facts. Comrade Deng Xiaoping emphasized that the most important thing for a complete and accurate

mastery of the scientific system of Mao Zedong Thought is fathoming its quintessential principle of seeking truth from facts. There are three important parts to Comrade Deng Xiaoping's use of the principle of seeking truth from facts for the correct handling of the relationship between "adherence" and "development": First is enriching content while adhering to principles; second is using adherence to principles as a foundation for selecting a policy anew; and third is making innovations in and reforming institutions while adhering to the basic socialist system. These mutually linked segments, blend "adherence" and "development" into one, thereby giving impetus to the innovation and development of theory. This is an extremely brilliant chapter in the history of Comrade Deng Xiaoping's revolutionary daring and leadership skill..

During this new era of building socialism characterized by reform and opening to the outside world, we constantly encounter an extremely real problem, one which requires extremely careful handling in constructing ideological theory, namely adhering to Marxism and Mao Zedong Thought while also developing Marxism and Mao Zedong Thought as the times and new historical tasks require. Unless one can correctly handle the correlation between "adherence" and "development," moving ahead courageously and steadily is impossible. One may go astray to the left or to the right. Learning from Comrade Deng Xiaoping's scientific writings and studying the contemporary Chinese Marxist process of innovation and experience that Deng Xiaoping's theory for building socialism with distinctive Chinese characteristics are extremely helpful to a scientific understanding and correct handling of the correlation between the two.

#### Two Major Tasks That "Tax the Ingenuity of Revolutionary Thinkers"

During the crucial period when the work emphasis of the entire Party shifted from class struggle to economic construction, the Third Plenary Session of the 11th Party Central Committee proposed that "the lofty mission of the CPC Central Committee on the theoretical front is to lead and educate the entire Party and all the people in an historical and scientific understanding of the magnificent achievements of Comrade Mao Zedong, to master the scientific system of Mao Zedong Thought fully and accurately, to combine the universal tenets of Marxism and Mao Zedong Thought with concrete practice in socialist modernization, and to develop them under new historical conditions." At the Party's work conference on theoretical guidelines in the following year, Comrade Deng Xiaoping's call for adherence to the four cardinal principles [the socialist road, the people's democratic dictatorship, Marxism-Leninism and Mao Zedong Thought, and the leadership of the CPC] and imbuing these principles with new content in view of new practice also had this purpose. He also specially noted that "this is an extremely important task. It is both a major political task and a major theoretical task." He also reminded us that "this definitely is not a cosmetic task

that can be fulfilled by copying information from old books, but rather a lofty creative and scientific task that taxes the ingenuity of revolutionary thinkers."

We note that the "lofty mission of the CPC Central Committee on the theoretical front" that the Third Plenary Session of the 11th Party Central Committee proposed included two important, mutually related, organically unified components:

First is the need for historical and scientific understanding of the magnificent achievements of Comrade Mao Zedong by completely and accurately mastering the scientific system of Mao Zedong Thought. This is an important theoretical research and propaganda task that Comrade Deng Xiaoping repeatedly emphasized.

Second is the linking of the basic tenets of Marxism and Mao Zedong Thought with concrete practice in socialist modernization, and developing them under new historical conditions. When leading the effort to bring order out of chaos, Comrade Deng Xiaoping noted the mistake that the Party had committed in leading the building of socialism. Basically, it was failure to understand the objective laws for building socialism, i.e., failure to solve properly new circumstances and new problems that differed from previous revolutionary periods. Therefore, at the Third Plenary Session of the 11th Party Central Committee, he proposed to the whole Party the task of "studying new situations and solving new problems." In the Party's work conference on theoretical guidelines at the end of March 1979, he noted explicitly that "thorough study of the new situations and new problems encountered in China's four modernizations and providing answers of major instructional significance are major contributions that those who work on ideological theory can make to Marxism and to really exalting Mao Zedong Thought." In proposing this major task to the theoreticians, he also told us specifically: "What are the most important new situations and most important new problems in the country today? Of course, they are the four modernizations or, as I said before, bringing about Chinese style modernization." At the Third Plenary Session of the 11th Party Central Committee, he also said: "New situations of all kinds must be studied, and new questions of all kinds must be answered. Particular attention must be paid to the study and solution of questions in three areas, namely management methods, management systems, and economic policies."

The tasks in these two regards are "adherence to Mao Zedong Thought" and "development of Mao Zedong Thought." So, what is the correlation between "adherence" and "development?" Clearly, "adherence" is for the purpose of "development," and "development" is the best "adherence." Only by solving today's new problems by applying the cardinal principles of Mao Zedong Thought and by developing Mao Zedong Thought is there adherence to Mao Zedong Thought. This is to say that once we master the scientific system of Mao Zedong Thought, we must not simply marvel at it

like a connoisseur of curios, not using it or only taking good care of it without developing it. Scientifically handling Mao Zedong and Mao Zedong Thought means not only adhering to his basic tenets; more important is to link them to practice in the new era for the creative development of Mao Zedong Thought. Comrade Deng Xiaoping said it extremely clearly: "The ideological theories of Marxism cannot be divorced from real politics. The politics of which I speak here is the overall struggle at home and abroad. It is the fundamental interests of the Chinese people and the people of the world in actual struggle. One cannot suppose that one can become a Marxist thinker or theoretician if one is divorced from the overall political situation, does not study the overall political situation, and does not evaluate the real development of revolutionary struggle. If that were so, what point was there in our having spent six months last year discussing the issue of practice being the standard for testing truth? Scientific socialism develops in real struggle, and Marxism and Mao Zedong Thought develop in real struggle. Naturally, we cannot retreat from scientific socialism to utopian socialism, nor may we allow Marxism to linger at the level of the separate theses of several decades or more than 100 years ago. Therefore, we say repeatedly that emancipation of thinking means applying the cardinal principles of Marxism and Mao Zedong Thought, the study of new situations, and the solution of new problems." This is the most important point of the "lofty mission" that the CPC Central Committee has proposed.

Comrade Deng Xiaoping's question about the "point" of discussing practice as being the standard for testing truth means what were the role and goals. Our adherence to and support for the scientific system of Mao Zedong Thought is not adherence for adherence's sake, or support for support's sake. Their function and goals are "to shoot arrows at targets," that is to use the "arrows" of Mao Zedong Thought to shoot at "targets" in the real practice of China's socialist modernization, finding laws in new practice, and developing Mao Zedong Thought in the course of studying new situations and solving new problems. Only in this way can the development of Mao Zedong Thought truly adhere to Mao Zedong Thought.

#### **"Seeking Truth from Facts" Is the Bond That Links "Adherence" and "Development"**

The "secret" of success of Comrade Deng Xiaoping's innovative theory for building socialism with distinctive Chinese characteristics lies in his unwavering adherence from beginning to end to the principle of seeking truth from facts that Mao Zedong initiated. Comrade Deng Xiaoping believes that of greatest importance in adherence to the scientific system of Mao Zedong thought is adherence to the principle of seeking truth from facts, and that development of Mao Zedong Thought means studying new situations and solving new problems on the basis of the principle of seeking truth from facts in order to shape new conclusions and new theories that are in keeping with new historical conditions.

The outer ring of Mao Zedong Thought as a scientific ideological system is made up of a series of concrete "Sinicized Marxist" theses and principles. These theses and principles not only have unity and coherence (some of them covering rather broad areas and others covering rather narrow areas), but there is also an interrelationship among specific theses and specific principles (the various concepts are mutually reinforcing to form a network). We find from a thorough study of the scientific system of Mao Zedong Thought that the inner layer of the specific theses, concepts, and principles in the "outer ring" is permeated with one cardinal principle. One might say that this system has a "core." It is both the foundation for the specific theses, concepts, and principles that are postulated and formed in the "outer ring," and also the bond that links these specific theses, concepts, and principles. It is also the fountainhead for creation of the "outer ring" and addition of various new theses, concepts, and principles. This core is the "seeking truth from facts" that Comrade Deng Xiaoping brought to light. He termed it the "quintessence of Mao Zedong's philosophical thought," "the point of departure and cardinal point of Mao Zedong Thought," "the quintessence of Mao Zedong Thought," and "the cardinal point of Mao Zedong Thought."

The "eradication of chaos" part of the eradication of chaos and restoration of order in the guiding thought that Comrade Deng Xiaoping employed in leading the Party and the people was the elimination and criticism of all the fallacious theories that Lin Biao and the "gang of four" preached in the name of Mao Zedong Thought, and correction of various mistakes that contravened Mao Zedong Thought in Mao Zedong's late years. The "restoration of order" part was not only a return to the specific theses, concepts, and principles of the "outer ring" of the scientific system of Mao Zedong Thought, but was, more importantly, a return to the "core" of the scientific system of Mao Zedong Thought, i.e., the principle of seeking truth from facts. When talking about "the need for correct and complete understanding of the system of Mao Zedong Thought" on 19 September 1977, Comrade Deng Xiaoping especially stressed that "the four words, seek truth from facts, which Comrade Mao Zedong wrote as an inscription for the Party school at Yanan, is the quintessence of Mao Zedong philosophical thought." This answers a question: The most important to understanding the scientific system of Mao Zedong Thought fully and accurately is a clear understanding and mastery of the cardinal principle of "seeking truth from facts." On 2 June 1978 at the Armed Forces Political Work Conference, Comrade Deng Xiaoping also said that some comrades who talk a lot about Mao Zedong Thought often forsake or even oppose Comrade Mao Zedong's seeking truth from facts, his proceeding from reality in all endeavors, and his combining of theory with practice, which are basic concepts and methods of Marxism. "Thus, even though we pay much lip service to upholding Mao Zedong Thought, we really contravene Mao Zedong Thought." Therefore, in drafting

and passing "Decisions on Various Problems Since Founding the People's Republic," the CPC Central Committee not only set forth the substance of a series of specific theories in the scientific system of Mao Zedong Thought, but also specifically explained the "living soul of Mao Zedong Thought" as seeking truth from facts, and a mass line and independent decisions that are linked to and integrated with the seeking of truth from facts.

Comrade Deng Xiaoping emphasized this "core" in understanding and mastering the scientific system of Mao Zedong Thought, because only by establishing this cardinal Marxist principle of seeking truth from facts can we free our brains from all forms of subjectivity such as dogmatism and empiricism. Only then can our two legs advance into living revolutionary practice, and can our two hands touch new situations and solve new problems in real life, thereby imbuing Mao Zedong Thought with a new content of the times. Comrade Deng Xiaoping has repeatedly said that "our success with reform and opening to the outside world stems not from books but from practice. It stems from reliance on seeking truth from facts." By the same token, our development of Mao Zedong Thought under new historical conditions, creating theories for the building socialism with distinctive Chinese characteristics also does not depend on books, but on practice and seeking of truth from facts.

Therefore the key to complete fulfillment of the "CPC Central Committee's lofty mission on the theoretical front" set forth at the Third Plenary Session of the 11th Party Central Committee, and correct handling of the dialectical relationship between "adherence" and "development" lies in studying, mastering, applying and adhering to seeking truth from facts.

#### Adhere to Principles; Enrich Content

How can the principle of seeking truth from facts be used as an ideological weapon for correct handling the dialectic relationship between "adherence" and "development" and for completing theoretical research tasks that can be completed only by "taxing the ingenuity of revolutionary thinkers?" Comrade Deng Xiaoping did some creative work on this question in three interrelated regards: enrichment of principles, selection of policies, and institutional innovation.

First is adherence to principles, enriching their content.

Not long after convening of the Third Plenary Session of the 11th Party Central Committee, Comrade Deng Xiaoping proposed important tasks in the creation of theory. Focusing on the distortion and destruction of Marxism and Mao Zedong Thought by Lin Biao and the "gang of fours" and on an erroneous trend of thought that negated Marxism and Mao Zedong Thought in the course of bringing order out of chaos, he used an extraordinarily forthright attitude and words in calling for "the need to adhere to four cardinal ideological and political principles in realizing China's four modernizations." At the same time, he noted explicitly that in view

of the needs of the times and the new tasks in modernization that, "although I have said there are no new problems with the four cardinal principles that must be adhered to in the four modernizations, these principles do have new significance under the new circumstances. In light of abundant new facts, they require a new validation that is fully persuasive." He said: "Our comrades on the ideological theory front must organize forces quickly to draw up plans for writing and printing, within the shortest time, a number of new weighty treatises, books, readers, and textbooks that present new materials, new ideas, and new language to fill this void." This means that the foundation underlying all our efforts to build the nation that our Party has built and adhered to over a long period of time—the four cardinal principles—must remain unshakable and be adhered to unwaveringly, but their content must be enriched and augmented, i.e., "a new fully persuasive validation is required in light of abundant new facts." Furthermore, this validation must have new content, new ideas, and new language. Everything must be updated. This means unifying "adherence" and "development" through the "enrichment of principles" to form a scientific theory that has "new significance."

In fact, this is what Comrade Deng Xiaoping has done since the Third Plenary Session of the 11th Party Central Committee. He has both adhered to the four cardinal principles, and "instead of dressing up old ideas in new garb," he has proceeded from reality, respected practice, respected the masses, used the creative practice of the masses as the foundation, made great efforts, and created new theories to shape the contemporary Chinese Marxism that is building socialism with distinctive Chinese characteristics. First, he took practice as the standard, discarded dogmatic interpretations of certain Marxist principles and certain writings, discarded unscientific and even distorted understandings of socialism, discarded incorrect ideas that go beyond the preliminary stage of socialism, resolutely opposed erroneous ideas that repudiate Marxism, and clarified various things that had been muddled in the basic content of the four cardinal principles. In addition, he used practice as the standard for summarizing experience and developing theory and augmented the four cardinal principles with a new content of contemporary significance including theses on the nature and basic tasks of socialism; the preliminary stage of socialism; standards for judging the "three facilitates"; the economic development strategy of proceeding in three steps; seizing opportunities and accelerating development to move the national economy a step upward every few years with science and technology being the first element of productivity; reform being China's second revolution; China's development being inseparable from the world; no basic contradictions between socialism and a market economy; the necessity for political system reform to be in keeping with economic system reform; working at multiple tasks at the same time and working with might and main; "one country two systems"; adhering to socialism, halting

unrest, and preventing peaceful evolution; the need for vigilance against the right, and particular vigilance to prevent "leftism"; adherence to the basic line of the Party having "one center and two base points," without wavering for 100 years; peace and development are the two motifs of the modern world; taking the five principles of peaceful coexistence as the standard for building a new international order; the need for calm observation, securing one's position, and meeting dangers cool-headedly in the world situation; the key to China's problems is doing a good job within the CPC; the need to make the cadre corps more revolutionary, younger, better informed, and more professional, and the need to select and promote for entry into leadership institutions individuals who the people acknowledge as adhering to the line of reform and opening to the outside world and who have career accomplishments; greater building of clean government and opposition to corruption, etc. We can fully state that the theory for building socialism with distinctive Chinese characteristics is development of Mao Zedong Thought under new historical conditions in which the four cardinal principles have new content, new ideas, and new language.

#### Adherence to Principles; Selection of Policies

In order to develop Mao Zedong Thought from a foundation of adherence to Mao Zedong Thought, Comrade Deng Xiaoping not only made theoretical innovations (including thinking and language), but also policies innovations to guide practice more effectively.

As long ago as 1980, he pointed out that socialism is a very good term, but if misused, one cannot correctly understand it and adopt correct policies, with the result that the true nature of socialism cannot be expressed. On 21 August 1985, when explaining the background and reasons for China's modernizations and reform and opening to the outside world, i.e., "the second revolution," he said: "After establishing a socialist economic foundation in China, for many years no policies were formulated to create good conditions for the development of productivity; thus, social productivity developed slowly, the people's material and cultural living conditions did not improve ideally, and the country could not get out of its poverty stricken and backward state. This situation forced us to decide to carry out reform at the Third Plenary Session of the 11th Party Central Committee convened in December 1978. Our general principle was adherence to four things: the socialist road, the people's democratic dictatorship, the leadership of the CPC, and Marxism-Leninism and Mao Zedong Thought. These have been written into China's constitution. The problem is how to adhere to them. Should we adhere to those policies which do not remove poverty and backwardness, or, for fairly rapid development of productivity, should we select good policies based on adherence to the four cardinal principles? In deciding to conduct reform, the Third Plenary Session of the 11th Party Central Committee selected good policies." Here he discussed three important interrelated problems:

The first was that our reforms are not an abandonment of the historical choice of the socialist system; they are not an abandonment of the historical choice of the four cardinal principles. The second was that our reforms are policy choices founded on system selection and the four cardinal principles. Third, the policy choices are for the purpose of eradicating obstacles to the development of social productivity to enable the country to escape from its poverty and backwardness.

The policies are practical political remedies drawn up under guidance of scientific theories and based on changes in circumstances during all stages of revolution and construction. Comrade Mao Zedong said: "Policy is the starting point of all the practical actions of a revolutionary political party and manifests itself in the process and results of that party's actions. All the actions of a revolutionary political party are the implementation of policy. If correct policies are not implemented, then wrong policies will be implemented. If policies are not consciously instituted, they will be blindly instituted." Therefore, the correctness or incorrectness of a policy, and the success or failure of a policy, have a direct bearing on the gains and losses and the successes and failures of all the endeavors that a party leads.

Comrade Deng Xiaoping believes that the reasons for the errors that occurred during the period of building socialism in China, and for socialism not exhibiting strengths comparable to those of capitalism in the course of its own development process, cannot be found in the socialist system itself. They cannot be attributed to the Party's long adherence to the four cardinal principles, but to shortcomings in the extremely important link that is "party policies"—the many years failure to draw up a policy to set the stage for development of productivity. Therefore, China's reform and opening to the outside world began first with new policy choices. Examples include the policy of maintaining the decision-making authority of production teams set forth at the Third Plenary Session of the 11th Party Central Committee; the policy of developing economic diversification; the policy to correct egalitarianism in distribution; the policy of raising procurement prices of agricultural and sideline products, etc. These policies played a positive policy guidance role in the major changes that subsequently occurred in rural villages characterized by the family output-related contract system. Another example was the one that Comrade Deng Xiaoping first proposed of "permitting some areas, some enterprises, and some workers and peasants to gain more income and improve their livelihood first by achieving much through hard work." This policy of "some people getting rich first" played an inestimable role in smashing the fetters of egalitarian thinking and system restraints, in the formation of economic components under different forms of ownership, and in diversification of the national economy. The term "liberalizing policies" became the name for reform in real life. Without a new selection of policies, and without "liberalizing policies," any fundamental transformation of the system would be difficult.

to imagine. The promotion of reform and opening to the outside world beginning with new policy choices both adhered to the four policy principles and to the basic socialist system. It also allowed a fairly flexible seeking of a correct road for the development of socialist social productivity. This was the difficulty that Comrade Deng Xiaoping solved in the relationship between "adherence" and "development." It was an innovation of extreme political acumen that fulfilled the CPC Central Committee's lofty mission on the theoretical front.

#### No System Change; Institutional Innovations

Comrade Deng Xiaoping understands profoundly that the detours and the disasters suffered in the process of building socialism in China, which were manifested in policy mistakes, were rooted in institutional shortcomings. If China's poverty and backwardness is to be fundamentally changed, a recurrence of the serious mistakes of Comrade Mao Zedong in his declining years avoided, and the development of Mao Zedong Thought advanced, one problem that must be addressed is the need to study socialist institutions, fundamentally changing old institutions that are not in keeping with the development of productivity. In his main report to the Third Plenary Session of the 11th Party Central Committee, he set forth the tasks of reform. When drafting "Decisions on Various Historical Problems in the Party Since Founding of the People's Republic," he repeatedly noted explicitly that "simply talking about the mistakes of Comrade Mao Zedong himself will not solve problems. Most important is a system problem. Comrade Mao Zedong said very many good things, but because some systems were not good in the past, he developed a negative view of them." "The system is decisive." Using historical experience as a guide, he proposed system reform, meaning institutional reform, a major issue fraught with strategic significance.

At that time, many people who had been deeply influenced by "leftist" thinking expressed very great incomprehension about such a major issue, supposing it to be "de-Maoization," or negating the socialist system that Comrade Mao Zedong had founded. At the same time, a bourgeois liberal trend of thought appeared from the right, with some people openly preaching that "the root of all evil is the dictatorship of the proletariat." Some traveled about declaring that China should engage in capitalist "social reform" thereby interfering with the reform and opening to the outside world that Comrade Deng Xiaoping had proposed. Focusing on these two erroneous tendencies, at the end of March 1979, Comrade Deng Xiaoping proposed the major political issue of adherence to the four cardinal principles, the most important principle of which was the need to adhere to the leadership of the Party and the basic socialist system.

On the one hand, reform of our system was required, on the other hand adherence to our system was required. Just what was the correlation between these two. How should the correlation between the two be handled?

Comrade Deng Xiaoping said that correct understanding of the socialist system requires, first of all, demolishing the contention that socialism is not as good as capitalism. One must realize that only socialism made China's rescue possible. That socialist China today is not the equal of developed capitalist countries in terms of economy, technology, and culture is not the fault of the socialist system. Basically it was caused by history before liberation. It was caused by imperialism and feudalism. Granted that there are subjective reasons for the serious mistakes that socialist countries have made, basically they were caused by the effect of the long historical legacy of the old society, and they can be corrected by the socialist system itself. In our practice of reform and opening to the outside world, we selectively import in a planned way advanced technology and other things of benefit to China from capitalist countries, but we positively do not study and import the capitalist system.

Comrade Deng Xiaoping pointed out further that the point of view that Comrade Mao Zedong revealed of contradictions remaining between productivity and production relationships and between the economic foundation and the superstructure is correct. Therefore, we must seek a somewhat faster and more economical road for the building of socialism that is compatible with Chinese realities. "We must formulate principles for economic system reform." The "economic system" talked about here is a different concept than the basic socialist economic system; it is an implementation form for socialist production relationships, i.e., a system specific to a socialist economy. In citing tasks in the renowned "Reform of the Party and Government Leadership System," Comrade Deng Xiaoping said specifically with regard to "Conducting Needed Reform of the Party and the Government Leadership System" that "numerous defects that hamper or even seriously hamper full expression of the superiority of socialism still exist in some specific systems in the Party and government. Unless diligently reformed, they will be unable to meet the urgent needs of modernization. Then we will be seriously divorced from the masses." The expression, "some specific systems" in the Party and government used here means "political institutions." This is to say there are two tiers in the socialist system: One is the basic socialist system, including public ownership, distribution according to labor, the people's democratic dictatorship, etc. This is correct and advantageous. It is our historical choice, and it is also unchangeable. The second is the socialist economic, political, and other systems. These are specific systems in many areas of which there are defects that must be reformed to permit full expression of the superiority of socialism.

It was on the basis of this basic approach of Comrade Deng Xiaoping that the whole Party and all nationalities in the whole country finally reached an extremely important consensus: conducting institutional reforms from a foundation of adherence to the basic socialist system to emancipate and develop productivity. Simply put, this was no change in the system but institutional innovations.

We can see that "adherence to principles while enriching their content"; "adherence to principles while selecting policies"; and "no change in the system but institutional innovations" with each link connected with every other, are organically joined to blend "adherence" and "development" into a whole that gives impetus to the creation and development of theory. Among these three, it is the enrichment of principles that is the goal and result of theoretical creativity. Policy selection and institutional innovations are the foundation. This is movement from the visionary to the real and then from the real to the visionary, i.e., a process that goes from the choice of the enrichment of principles to guide policies and proceeds to institutional innovations, and a process that goes from institutional innovations to improvement of policy choices with the choice of policies imbuing the four cardinal principles with a new content of the times. This innovative process that integrates science and creativity tells us that Comrade Deng Xiaoping not only called for the lofty mission of adherence to and development of Mao Zedong Thought, which "taxes the minds of revolutionary thinkers," and not only called for a scientific approach that uses the "seeking of truth from facts" as an ideological weapon for correct resolution of "adherence" and "development" problems, but also called for an operating process that both adheres to and develops Mao Zedong Thought and solid theoretical innovation through the interaction and mutual advancement of the "enrichment of principles," "policy choices," and "institutional innovations." This is an extremely brilliant chapter in Comrade Deng Xiaoping's revolutionary daring and resolution and leadership skill.

#### \*Ding Guangen Declining Politically

95CM0110 Hong Kong KAIFANG [OPEN MAGAZINE] in Chinese No 97, 1 Jan 95 pp 14-16

[Article by Xia Wensi [1115 2429 1835]; Beijing Fax: "Central Propaganda Department Director Ding Guangen Losing Power and Influence"]

[FBIS Translated Text] The current head of the Central Propaganda Department, and trusted Deng Xiaoping follower, Ding Guangen, has, according to recent talk, already lost authority. The stated reason is that he is not vigorous in opposing anti-Dengist activities, is incompetent in cultural propaganda work, and has incurred the displeasure of Jiang Zemin. One possible successor is the extreme leftist senior cadre Xu Weicheng [1776 1602 6134]. Over the past several months the Center's chief ideologue and head of the propaganda department Ding Guangen has not been active or shown his face, nor has he issued any important policy statements. This has started much speculation within the capital's cultural circles. Because Ding Guangen has very staunch backing, and is currently acting as patriarch Deng Xiaoping's personal protege and right-hand man, the rumor in Beijing is that if President Jiang Zemin wanted to see the old man, he had to depend upon Ding Guangen's

approval. Because of this, in the beginning everyone thought that Deng's old bridge partner was ailing and sick in bed.

#### Various Indications That Ding Guangen Lost Power

However, recently there are more and more indications that all is not going well for this new star of the Communist political stage and that he may soon vacate his position and relinquish his post. The rumored choices for his successor are the following two: One, the new member of the Political Department, former party secretary of Shandong Province—Jiang Chunyun; the other is the present standing department head of the Central Propaganda Department—Xu Weicheng. The odds are on Xu Weicheng as having the best chance.

A source with inside knowledge says that Ding Guangen entered the political department after the 14th Plenum and immediately became head of the propaganda department and was put in the core of power by Deng Xiaoping to act as his ears; unfortunately, Ding Guangen is an incompetent while bearing Deng's expectations, so his unfortunate fall can be envisioned. This source says that Ding Guangen's one talent is that he plays a lovely hand of bridge; when he was a middle-level cadre in the Ministry of Railways, his ability at cards was well-known. It so happened that just at this time in 1975 Wan Li, who was Minister of Railways, heard of him and sought him out to play a few times. They got along well together, and he later recommended Ding to bridge-addict Deng Xiaoping, and thus step-by-step Ding went up the ladder, becoming one of the close followers of the powerful, and he enjoyed a successful official career.

Although in 1988 when Ding Guangen was Minister of Railways the railroads had all sorts of troubles, and he had no choice but to take the blame and resign, this really had no adverse effect upon his official career and not long afterwards, under the care of his old patron, he became director of the Taiwan Affairs Office in the State Council.

Before Ding Guangen became propaganda minister, he was always working somewhere in the bureaucratic levels of the party, and so the cultural workers do not know much about him, and following a great deal of flattering propaganda on his behalf, many people mistakenly think that he is an able administrator and capable official, and did not gain Deng Xiaoping's appreciation solely because of his marvelous card playing abilities. However, when he first set foot in the cultural circles, he immediately exposed his true form and inferior capability.

#### Ding Guangen: Friendless in Cultural Circles

Ding Guangen has no background in formal cultural studies or education; he has no friendly following in either leftist, centrist or rightist cultural circles. After the June 4th incident, it was primarily the cohorts of Deng Liqun or those of Wang Renzhi who came to power in

the cultural field. Ding Guangen has no common background with them, and is completely unable to command or control these people. Among the free thinking cultural elements who are now out of power Ding has no friends. When his predecessor Li Ruihuan was in charge of culture and propaganda he at least had some acquaintances in the cultural field, but it might be said that Ding is not even up to Li's level. The literati all are social celebrities, and have, great or small, their share of foul disposition. When one sticks Ding Guangen, with no literary roots or artifice in social contacts, into their midst he often ends up badly battered and feeling quite helpless. His handling of the legal suit between the famous playwright Wu Zuguang and the Beijing National Trade Center was an exhibition in itself and was the huge laughing stock of capital cultural circles. The Wu Zuguang suit with the Trade Center had been old news for a long time, but the suit had never been settled. The Trade Center accused Wu of writing slander, spreading the rumor that the manager of the Trade Center was Chen Jinhua's grandson. They had strong backing, but Wu Zuguang had social prominence and reason on his side and at his back were a great number of the capital's cultural elite, whom no one could afford to offend. The Trade Center wanted to be done with it, but were afraid of losing face and, seeking to come to some out of court settlement with Wu, asked Propaganda Bureau Chief Ding to mediate.

#### Cursed as Too Much the Imperial Bureaucrat

It is reported that Ding Guangen, carrying a gift, personally walked up the stairs to pay his respects to old man Wu, but the crusty old Wu ended the meeting with his first utterance. Ding Guangen was speechless with embarrassment, and cut a very sorry figure. After the incident, Wu described Ding Guangen's expression at the time to a friend saying: "If you did not know what having a 'wan smile' meant, you would know it if you had seen Ding Guangen." Wu's evaluation of Ding Guangen is: "an incompetent coward, just too much the imperial bureaucrat, that's all." It is said that in the spring of 1994, during the National Peoples' Congress, Ding Guangen made a point to introduce Wu to Jiang Zemin, hoping that through Jiang's urging, Wu and the Trade Center would resolve their problems but: old Wu is a good ol' boy, and is not afraid of power, and did not budge in the least. With Ding Guangen being incompetent, there is no way to maintain control of the cultural and propaganda departments, which are nefariously split into cliques and factions and where the ideological infighting is extremely fierce.

Since early this year China's Communist party's mainstream ideological policies have been in complete disarray, anti-Dengist trends of thought have been gushing in full flood, but Ding Guangen who is supposed to be Deng Xiaoping's ear and trusted follower is totally unable to end the squabbles and restore normalcy: this is the main reason which is leading to his fall from power. It is reported that this year members of Deng's family

have repeatedly accused him of not doing enough to stem the anti-Dengist movements, and are showing their dissatisfaction with him. However, there are also those who say that because of his special backing from Deng Xiaoping, Ding is encountering confrontations with General Secretary Jiang Zemin over cultural and propaganda policies, and because of this Jiang has frozen him out and put him outside: his fall from power may have an effect upon the power struggle in the high echelons of the Party. No matter what the situation actually is, Ding Guangen's resignation seems certain, and who will replace him in the Propaganda Department? Regarding the rumors that Jiang Chunyun may succeed him: Jiang Chunyun is an administrative bureaucrat, does not understand culture, and according to reason should not take on management of culture and propaganda. On this point the author once asked the opinion of a prominent Beijing writer and his answer was: "The position of chief of the propaganda department no longer requires any culture, all it requires is management skills, and anybody can handle that."

#### Xu Weicheng May Take Over the Central Propaganda Department

According to sources in the Beijing news circles, the best possibility is that standing deputy director of the propaganda department, Xu Weicheng, will be made chief. They say that as far as personal qualifications go, Xu Weicheng is one step below Ding Guangen, a model literary whore, whose greatest talent is changing with the tide. During the cultural revolution Xu Weicheng was one of the rebel faction's star writers, very stimulating. When primary school student Huang Shi rebelled against his teacher, an incident that shook the nation, Xu was the puppeteer behind the scenes. However, after the rebels fell from power, Xu again turned his guns around and took his stand with the capitalist-roaders. With the ending of the cultural revolution, in view of the fact that he had actively sided with the Gang of Four, no side or faction dared to start using him. Later on it was Hu Yaobang who, valuing talent more than past misconduct, gave him an opportunity. Thus finally in 1984 Xu once again entered the political arena as deputy secretary of the Beijing City Committee. After this Xu emerged as an extreme leftist, in the beginning vigorously opposing bourgeois liberalization, and after the June 4th Incident becoming one of the leaders of the extreme left, doing his utmost to smother the freedom of the press, and seeing no disgrace in being Beijing's man of culture. However, as far as competence is concerned, Xu Weicheng is a rare talent. People who know him say his writing is extremely good, his feeling and facility excel that of Yao Wenyuan. In addition, Xu Weicheng does have political capabilities that he executes with extreme ruthlessness and is eminently capable of fostering his own power. Before the cultural revolution he was manager of the BEIJING RIBAO [BEIJING DAILY] and chief editor, and he ran that newspaper as a fiefdom. After coming to power, he elevated a good many of the people at that paper into the

Beijing city committee, occupying key posts in every district. People in Beijing cultural circles say that if Xu Weicheng does become chief of propaganda then China's news and cultural institutions will again take a great leap backward.

**KYODO Correction on Dissident on Post-Deng Era**

OW2302003795

Tokyo KYODO in English at 2328 GMT on 23 February transmits a service message correcting the item headlined "Dissident Assesses Post-Deng National Leadership," published in the 22 February China DAILY REPORT, page 15-16:

Page 15, second column, paragraph nine, only sentence, make read: ...armed forces, because former key military leaders... (adding word "former").

**Science & Technology**

**Guangdong To Build 2d, 3d Nuclear Power Plants**  
HK2302054495 Hong Kong TA KUNG PAO in Chinese  
18 Feb 95 p A1

[Report by staff correspondent Pan Su (3382 3307): "Guangdong To Build Its Second and Third Nuclear Power Plants Synchronously"]

[FBIS Translated Text] Guangzhou, 17 Feb (TA KUNG PAO)—Zhang Minling, deputy director of the Guangdong Power Industry Bureau, said today that Guangdong has already signed a memorandum with France on building the province's second nuclear power plant. If preparations are made properly, Guangdong probably will proceed with the building of its second and third nuclear power plants synchronously.

Zhang said that the Daya Bay nuclear power plant operated normally in 1994. By the end of 1994, the plant generated 12.263 billion kwh of electricity, of which 7.78 billion kwh were transmitted to Hong Kong.

Zhang continued by saying that the power-generating installed capacity put into operation in Guangdong totaled 4,850 megawatts, an increase of 23 percent over the previous year, which is record growth. The generating units that have been built and have gone into operation include: The first and second generating units of the Daya Bay nuclear power plant, the fourth generating unit of Guangzhou's pumped energy storage plant, the fourth generating unit of the Qingxi hydropower plant, the first generating unit of the Zhanjiang power plant, and the second generating unit of the Mawan power plant. By the end of the year, Guangdong's installed generating capacity totaled 19,610 megawatts, ranking first among the cities and provinces throughout the country for two successive years. Of Guangdong's power stations, the Daya Bay nuclear power plant and the first phase project of the Guangzhou pumped energy

storage plant were built and completed in a quality fashion, at high speed, and in light of international standards, which won appraise from the trade overseas.

Zhang stated that Guangdong now is drafting a power plan for the Zhujiang delta economic region, which includes establishing a large power network conforming to international standards; maintaining a balance of energy, transportation, capital, equipment, and environmental capacity; and allocating a large amount of funds to build a 500,000-volt large transformer substation in Guangdong. In the near future, efforts will be made to step up construction of the Taishan and Zhuhai power plants, and the preparation of Guangdong's second nuclear power plant, as well as the thermal power plants in Huilai and Shanmei.

Zhang said that Guangdong will strive to develop international and domestic energy-supply channels, and will take a diverse road for energy development. Nuclear power, which is one of the channels for developing power, is required for a rational and scientific distribution. The Guangdong Nuclear Power Group Corporation is now established. The second nuclear power plant will be built at a location 4 km from the Daya Bay nuclear power plant, while the third will be built in Zhanjiang.

**CAS Announces Beijing To Rebuild Science Town**  
OW1702143895 Beijing XINHUA in English 1237  
GMT 17 Feb 95

[FBIS Transcribed Text] Beijing, February 17 (XINHUA)—The Chinese Academy of Sciences (CAS) announced its ambitious blueprint of rebuilding Zhongguancun, the best-known science town in China, here today.

The announcement was jointly made by Professor Zhou Guangzhao, CAS president, and Li Qiyan, mayor of Beijing at a working conference this afternoon.

Professor Zhou said that the rebuilding project will be open to international bidding.

In the first half of this year, the rebuilding plan will be chosen from the designs submitted by seven universities including two Hong Kong universities, Zhou said.

"And in the later half of this year, we will announce our specific projects for international investment and biddings," he said.

Observers believe that the project, which will start next year and take 15 years to complete, is expected to cost billions of yuan.

The site of Zhongguancun Science Town covers an area of some 1.7 sq km located in the northwestern suburban of Beijing. It is where hundreds of research institutes and national laboratories with 15,000 researchers of the CAS and dozens of the country's key institutions of higher

learning such as Beijing University and Qinghua University with a large contingent of professors and students are located.

"The talents are so highly concentrated in Zhongguancun that even the Silicon Valley cannot compete with it in some way," a researcher said.

Recently, most scientists living in Zhongguancun have to some extent entered the era of "Information Highway" by logging in with Internet.

According to the proposed outline of the reconstruction, the research, living and traffic facilities, houses and roads will be rebuilt. The project will include the building of a science square, a science center, a high-tech building, a cultural and sports centre, and a number of highrise apartment buildings.

### Military & Public Security

#### PLA Units Implement Central Decisions

HK2302073995 Beijing RENMIN RIBAO in Chinese  
9 Feb 95 p 3

[By Tang Wu (0781 2976): "Raise Party Building in the Armed Forces to a New Level—Various Units of the People's Liberation Army Are Implementing the 'Decisions' of the CPC Central Committee and the Central Military Commission"]

[FBIS Translated Text] Since the Decision of the CPC Central Committee Concerning Some Major Issues on Strengthening Party Building and the Decision of the Central Military Commission Concerning the Implementation of the Spirit of the Fourth Plenary Session of the 14th CPC Central Committee and the Further Strengthening of Party Building in the Armed Forces were decreed, People's Liberation Army [PLA] party committees at all levels have attached great importance to it and have made preparations for the implementation of the two "Decisions" and for the strengthening of party building in light of last year's work summary and of preparing for work in the new fiscal year.

All large PLA units have taken the two decisions as the fundamental basis for strengthening party building under the new circumstances. They have generally called (enlarged) meetings of their party committees and organized their party committee members and department heads at and above the level of army commander to study the two decisions exactly as they are. All military units have incorporated the studying of the two "Decisions" as an important content in the study classes for the central groups and leading cadres of their party committees and in the training for basic-level cadres. In order to ensure that the two decisions are studied and implemented at basic-level units, many units have specifically compiled supplementary study material. The PLA National Defense University, all political academies and schools, and other special political academies and schools have in a timely

manner modified their teaching plans and included the study of the spirit of the two "Decisions" and the strengthening of party building among the troops as important contents of their teaching.

Party committees at all levels have adhered to the principle of setting strict demands on party members and have made overall plans and arrangements, properly managed party members, and implemented every single article of the "Decisions" in keeping with the tasks and demands set forth in the two "Decisions." First, they pay good attention to the building of party committees, which focuses on the adherence to democratic centralism, and have strengthened the centralized and unified leadership of the troops. Second, they pay good attention to the building of party branches, which focuses on the improvement of the "two abilities," and have strengthened the leadership of the comprehensive building of basic-level units. Third, they pay good attention to the education and management of party members, the objective of which is to strengthen party discipline and improve quality, and bring into full play the exemplary role of party members.

All large units demand that their subordinate troops take party building as a task that has an influence on the situation as a whole; foster and establish the concept that leaders at all levels pay great attention to party building; properly integrate the great attention given to troops with the attention given to troops building, the organization of leading groups with the building of leading groups, and the importance given to cadres with the importance given to party organizations; establish a responsibility system whereby great importance is attached to party building from military regions to brigades to regiments; and stress that units at all levels define their functions and tasks, that units at each level resolve their own problems, that each unit is accountable to its senior unit, improving work style, overcoming bureaucracy and formalism, and raising party building in the armed forces to a new level.

#### General Staff Headquarters Sets Training Tasks

HK2302104295 Beijing JIEFANGJUN BAO in Chinese  
8 Feb 95 p 1

[Report by reporters Ren Yanjun (0117 3601 6511) and Gu Boliang (7357 0130 5328): "The General Staff Headquarters Makes Arrangements for Military Training Work for 1995"]

[FBIS Translated Text] Beijing, 7 Feb (JIEFANGJUN BAO)—Speaking about the guiding ideology and tasks of military training work of the entire Armed Forces in 1995, the General Staff Headquarters stressed taking the military thinking of Mao Zedong and Deng Xiaoping's ideas on Army building in the new period as guidance; taking the military strategic principles for the new period as the foundation; closely centering round the main line of deepening reform in military training; firmly grasping the core of the study and practice of operation methods;

making special efforts to do a good job in the training of cadres and leading organs and the basic training of the troops; earnestly strengthening the teaching work of military academies and research work; seizing the time to complete the compilation, exposition, and proving of a new generation of training programs, teaching material, and standards; energetically exploring methods of simulated training and training in bases; attaining with high quality the targets set for training and reform three years ago; creating conditions for all troops and academies of the Armed Forces to carry out regular training in 1995 in accordance with reformed methods of training and teaching; and laying a foundation for increasing the ability of our Armed Forces to win local wars fought under high-tech conditions.

The General Staff Headquarters stressed that in the new year, the entire Armed Forces should, in view of the actual situation of reform and training, grasp focal points, make overall arrangements, give guidance according to different categories, and ensure the fulfillment of various tasks. The ground forces units should do a good job in the three levels of training—individual drilling, detachment training, and the training in coordinated tactics of divisions. They should emphasize a solid foundation, focus on tactical training, and carry out the study and practice of operation methods at a deeper level. They should, in accordance with the division of work, properly grasp the experimentation on and proving of the newly compiled training outline, and complete the compilation of the new training program and standards. They should continue to deepen the training reform of headquarters and establish new training contents, methods, and standards. The naval units should persistently carry out the training of vessel units of different categories and the training of air units of different grades, strengthen the training in unit warships' combat tasks and actual use of weapons, strengthen the coordinated training of various warships (services) and the training of command posts, and pay special attention to the training in using new equipment. The air force units should organize different types of airplanes (services) to study and practice operation methods concerning focal and difficult issues and put forward effective methods to deal with them, and strengthen the training in combat maneuvers and in shooting and bombing with live ammunition. Combat regiments should carry out tactical training in light of their tasks. The Second Artillery Corps units should stress coordinated reforms with training as the key point, further improve and perfect training rules and regulations, and explore at deeper levels methods for joint and coordinated training of different types of missile brigades. Various arms and services should do a good job in campaign training and should aim at studying and solving key and difficult problems.

The General Staff Headquarters also stressed: The tasks of training and reform of the entire Armed Forces are very heavy. Units at all levels must give full play to their subjective initiative and do a good job in fulfilling their

tasks in training and reform. In giving instructions on work: First, they should stress solving key and difficult problems and speeding up the progress in training and reform at a deeper level. They should seriously implement the important instructions concerning training and reform given by leading comrades of the military commission, make great efforts to carry out ideological education, have a correct understanding of the dialectical relationship between men and weapons, and build up confidence in defeating, with existing equipment, an enemy who is armed with superior equipment. They should proceed from studying high-tech knowledge and from studying strong opponents, strive to "thoroughly make clear three things," and attain good results in the study and practice of operation methods. They should proceed from improving their combat capacity in actual combat and from the benefits of training and aim at exploring ways of training which are close to actual combat. Second, they should stress laying a solid foundation and give prominence to improving the quality of the training of troops and the teaching work of academies. Third, they should, in accordance with the needs of actual combat, energetically carry out training of an inspection and antagonistic nature. Troop exercises of an inspection nature should be carried out within a tactical scope and the troops should be properly trained under conditions close to actual combat. Fourth, they should improve leadership style and working methods and should resolutely overcome formalism in training. Fifth, they should improve the material conditions for training and stress ensuring the benefits of training. Sixth, they should properly carry out political work in training and give full play to the enthusiasm of officers and men in training and reform.

#### Jinan PLA Unit Adviser Zeng Shaoshan Passes Away

SK2302092895 Jinan DAZHONG RIBAO in Chinese  
13 Feb 95 p 1

[FBIS Summary] Comrade Zeng Shaoshan, former adviser to the Jinan Military Region, died of illness in Jinan on 26 January at the age of 81. He came from Jinzhai County in Anhui Province; entered the Chinese Workers' and Peasants' Red Army in June 1929 and the Communist Youth League in November the same year; and became a member of the CPC in 1933. He was conferred with the title of lieutenant general in 1955, and assumed the post of commander of the Luda Garrison District in Liaoning Province, the post of deputy commander of the Shenyang Military Region, the post of political commissar of the Shenyang Military Region, and the post of first secretary of the Liaoning Provincial CPC Committee. He retired from all posts in September 1988. He was a deputy to the Fourth National People's Congress; a member of the Sixth National People's Congress Standing Committee; and a member of the Ninth, 10th, and 11th CPC Central Committees.

**Police Quell Lunar New Year Disturbances**  
**HK2302105095 Hong Kong ZHONGGUO TONGXUN**  
**SHE in Chinese 0823 GMT 23 Feb 95**

[FBIS Translated Text] Guilin, 23 Feb (ZHONGGUO TONGXUN SHE)—On the evening of the third day of the Lunar New Year [2 February], a serious incident occurred in the Guilin Tire Factory. Some peasants in the vicinity violated regulations by setting off firecrackers in the factory and then stormed the police station. Informed of the news, the city police swiftly summoned policemen to the site, dispersed the troublemakers, and immediately quelled the disturbance.

At 1900 that evening, four young peasants from Linchuan County's Dayu village, including Li Xiaoping and Huang Dongping, strolled to the tire factory, where a film was being shown in the hall. Li Xiaoping ignored the Guilin Government regulations on prohibiting fireworks and firecrackers in urban and suburban factories and mines and set off firecrackers as he pleased. He was immediately stopped by two armed policemen on patrol. Li, who refused to comply, tried to rely on his friends to teach the two armed policemen "a lesson." As he was not strong enough, he was captured by the policemen. Li, who was injured in his left eye, was escorted by Huang Dongping to the Leipishan Police Station less than 100 m away to receive treatment. The other two returned to the village on their bicycles to call on more people to stir up trouble.

At around 2100, more than 100 young peasants with air guns, knives, and iron and wooden sticks, gathered at the Leipishan Police Station, near the tire plant. Instigated by the slogans "hand over the assailants" and "injuries are nothing serious," these people, who were not aware of the truth, started to storm the police station courtyard where the iron gate was shut. Some of the scoundrels climbed over the walls and smashed the windows of second floor offices while others opened the iron gate by force and rushed to the office building, confronting the armed police and duty police officers present.

Under such a critical situation, the armed police and police officers had to ask the city police and armed forces for assistance. Informed of the news, the Guilin Public Security Bureau and Armed Forces assembled more than 400 anti-riot policemen, public security personnel, and armed police and assigned them to the site.

From 2200 to midnight, the duty police officers repeatedly asked the peasants, who were encircling the police station, to leave. When such efforts had failed, the leader of the Guilin Public Security Bureau issued an order to disperse the troublemakers. A dozen active troublemakers were arrested by the anti-riot police and sent home after being taught a lesson while the other followers were dispersed after their weapons were confiscated. The police quelled the disturbance without using a single bullet. No policemen or troublemakers were injured throughout the action.

**Public Security Spokesman: Social Order 'Stable'**  
**HK2202152695 Beijing FAZHI RIBAO in Chinese**  
**8 Feb 95 p 2**

[Report by Xin Wen (6580 2429): "Social Order Is Stable in Most Localities Across the Country"]

[FBIS Translated Text] Beijing, 7 Feb (FAZHI RIBAO)—The information spokesman of the Ministry of Public Security said here today that the number of criminal cases in China in 1994 was basically steady and the social order in most localities was stable.

According to statistics, public security organs throughout the country received reports on a total of 1,661,000 criminal cases last year, and the rate of occurrence of criminal cases was 14.28 per 10,000 of the total population in China. Compared with the figures for 1993, the total number of reports on criminal cases received decreased last year in 12 provinces, autonomous regions, and municipalities among the 30 provinces, autonomous regions, and municipalities of the whole country. Besides, the results of the assessments on the social order situation in 1,666 local counties and cities in 1994 made by 19 provinces, autonomous regions, and municipalities, including Tianjin, Shanxi, Liaoning, Guangdong, Sichuan, and Shaanxi, showed that the social order in 975 counties and cities was good, accounting for 58.5 percent; the social order in 566 was ordinary, accounting for 34 percent; and the social order in 125 was poor, accounting for 7.5 percent.

According to the spokesman, last year, public security organs across the country constantly increased their strength in cracking down on crime and adopted various measures to clear up more cases, clear up cases faster, and clear up major cases. The number of criminal cases cracked in the whole year totalled 1.658 million, up 10.4 percent over the previous year. Among the cases cracked, the number of major cases was 444,000, up 19.7 percent over the previous year. In the course of investigating and cracking cases, the value of illicit money and stolen goods totalled 4.6 billion yuan, up 16.4 percent over the previous year. In the course of cracking various types of criminal cases, public security organs also seized 15,000 guns of various types, up 27.2 percent over the previous year, of which guns for military use accounted for 1,525, down 63.4 percent from the previous year.

The spokesman pointed out: Because of the restraints and influence of various factors, the total number of criminal cases last year was basically steady, but the big increase in major criminal cases remained a conspicuous problem in social order. Of the criminal cases reported to public security organs across the country last year, serious ones accounted for 624,000, 84,000 cases, or 15.6 percent, higher than the previous year. Among them, the most conspicuous ones were serious cases of robbery, swindling, and theft, respectively 14.9 percent, 26.3 percent, and 17.7 percent higher than the previous year.

The spokesman concluded: In the new year, public security organs at all levels will continue to adhere to the principle of "sternly cracking down" on crimes, constantly expanding actual results in sternly cracking down on crimes and improving social order, will exercise stringent management of social order according to law, will strive to enable more localities to have good social order, and will make greater contributions to protecting state property and safeguarding the people's lives and property and to ensuring the smooth progress of the state's reform, opening up, and economic construction.

#### Security Ministry Issues Fire Prevention Rules

OW2302044395 Beijing XINHUA Domestic Service in Chinese 0728 GMT 22 Feb 95

[FBIS Translated Text] Beijing, 22 Feb (XINHUA)—On the basis of the "PRC Regulations For Fire Prevention" and other administrative regulations, the Ministry of Public Security has drawn up and promulgated the "Regulations For Security Control in Public Recreational Areas" to prevent fires and ensure public safety.

In recent years, the number of recreational areas, such as theaters and dance halls, has been growing rapidly; but because of ineffective control, these areas have also created ample fire hazards, and the rapid increase of fires in public recreational areas has caused enormous economic losses and casualties. The 2,683 fire incidents that occurred in public recreational areas and service businesses in 1994 resulted in 747 deaths, 367 injured, and direct property losses reaching 130 million yuan.

The 20 articles in the "Regulations For Security Control in Public Recreational Areas" prescribed the responsibilities of people in charge of fire prevention in public recreational areas; and public recreational areas' designs, construction, fitting facilities, fire resistance, electrical equipment, evacuation alleyways, fire extinguishing facilities, fire alarms, and workers' fire prevention training. The regulations also provide penalties for those who violate them.

To make sure regulations are followed effectively, the Ministry of Public Security has also issued a circular on certain relevant issues about implementing them, and called on all public security organs to propagate the regulations so that everybody in society understands them. The circular says that public security authorities may not issue licenses to public recreational areas that have substandard fire prevention facilities, and public security authorities shall revoke the licenses of those recreational areas that have potential fire hazards. The circular also states that public security organs and police may not operate public recreational areas, nor let their children and relatives take advantage of their authority and influence to operate public recreational areas.

#### Ministry Commands Public Security Personnel

OW2302094795 Beijing XINHUA Domestic Service in Chinese 0324 GMT 23 Feb 95

[By RENMIN RIBAO reporter Mao Lei (3029 4320) and XNA reporter Zhou Lixian (0719 4539 2009)]

[FBIS Translated Text] Beijing, 23 Feb (XINHUA)—The Ministry of Public Security and the Ministry of Personnel today held a solemn meeting at the Great Hall of the People to commend collectives, heroic models, advanced units, and advanced individuals of the public security fronts nationwide.

This was the fifth national commendatory meeting held by the public security fronts. Attending today's meeting were 266 public security cadres and police, armed police officers and soldiers. Since 1985, a total of 1,499 people have been honored as advanced collectives and individuals.

Ren Jianxin, member of the Secretariat of the CPC Central Committee [CPCCC] and member of the Central Commission of Political Science and Law, spoke at the meeting. He said: Over the past 10 years, public security organs, under the leadership of the CPCCC, the State Council, as well as party committees and governments at all levels, have made tremendous achievements in protecting the socialist modernization and safeguarding social stability and people's livelihood by resolutely carrying out the basic line of the party, adhering to the principle of integrating their special work with the mass line, fully playing the role of public security departments and the broad masses of public security personnel, correctly using laws as their weapons, and faithfully implementing their duties. Facts prove that public security personnel, being able to stand the test of stormy waves and full of the spirit of self-sacrifice and devotion, are indeed a contingent of combating power and sturdy guards who are reliable for the party and the people.

In his speech, Minister Tao Siju of public security, urged public security organs and armed police troops at all levels to continue to adhere to the principle of "attaching equal importance to two important tasks and being careful not to emphasize one and neglect the other." He said that we should strengthen the rank and file of public security personnel and the public security work all at the same time. He added that we should ensure and promote the accomplishment of various public security work by strengthening the rank and file of public security personnel.

It was learned that over the past 10 years, 230 persons from the public security fronts nationwide have been given first and second degree heroic model titles, more than 110,000 individuals and 40,000 collectives given first, second, and third merits, more than 90,000 collectives commended and awarded by party committees, governments, and public security organs at all levels. A total of 2,275 comrades died and more than 55,000 comrades were injured while performing their duties.

Attending today's commendatory meeting were State Councillor Li Guixian and Minister Song Defu of Personnel.

**Zhejiang Meeting on State Security Opens**  
*OW2102150395 Hangzhou Zhejiang People's Radio Network in Mandarin 1000 GMT 17 Feb 95*

[From the "Provincial News Hookup" program]

[FBIS Translated Text] A provincial meeting of directors of state security bureaus and departments was held in Hangzhou. Chai Songyue, deputy secretary of the provincial party committee and executive vice governor, attended the meeting and delivered a speech. He said: In 1994, under the leadership of party committees and governments at all levels and the Ministry of State Security, Zhejiang's state security organs fulfilled various tasks in a better way and made contributions to maintaining social and political stability in Zhejiang and to promoting Zhejiang's economic development and opening up. On behalf of the provincial party committee and provincial government, he expressed thanks to and solicitude for comrades working hard on the front of state security in Zhejiang. He expressed the hope that state security organs in Zhejiang will further attach importance to and strengthen party building as well as the building of a contingent of personnel; continue to enhance their personnel's political integrity, professionalism, and combat effectiveness; have a clear understanding of the situation; and strive to serve the overall situation of the work facing the whole party and China in the new year. He said it is necessary for party committees and governments at all levels to fully understand and give full play to the special role of the contingent on the [word indistinct] front in safeguarding state security and maintaining social and political stability; attach a high degree of importance to the work on state security; practically strengthen leadership over the work; always gain the initiative in the struggle; and thwart the sabotages to be carried out by hostile forces at the stage when they are being planned beforehand.

The meeting is scheduled to last for four days. (Zhu Ziru), director of the provincial bureau of state security, delivered a speech entitled Attach Equal Importance to Building a Contingent of Personnel and Handling State Security Operations and Serve the Overall Situation of the Work Facing the Whole Party and China in a Better Way. The meeting studied and drew up a plan for the work on state security in Zhejiang. Meanwhile, it commended and gave awards to 12 units that scored outstanding successes in carrying out their work in 1994.

**Localities Confiscate Illegal Guns, Ammunition**  
*OW2302113595 Beijing Central Television Program One Network in Mandarin 1100 GMT 22 Feb 95*

[From the "National News Hookup" program]

[FBIS Translated Text] In light of worsening situation of stealing, manufacturing, and selling guns as well as other crimes, public security organs nationwide have launched a crackdown campaign to confiscate illegal guns and ammunition. [Video shows police displaying seized pistols, guns, and ammunition]

It was estimated that, as of the end of January 1995, public security organs at all levels nationwide had confiscated more than 260,000 guns of various kinds and 780,000 rounds of ammunition and cracked down on 1,573 dens for manufacturing and selling guns and ammunition. As a result, the criminals' arrogance was checked to some extent.

A total of 13 criminals were arrested by Zhejiang authorities, which had organized a unified action to crack down on illegal elements in some areas who tried to promote the sales of steel-ball [gang zhu qiang] guns by sending advertising fliers all over the country. Guangxi and Yunnan authorities carried out raids in border areas where smuggling and selling guns are fairly rampant and confiscated 5,174 guns.

**General****Zhu To Accelerate Investment Reform Following Delays**

HK2302053495 Hong Kong **HONGKONG STANDARD**  
in English 23 Feb 95 p 7

[By Sherman Chen]

[FBIS Transcribed Text] China's economic czar Zhu Rongji is set to speed up his radical reform of capital investment, despite delays caused by pressure from the State Planning Commission and the country's general economic woes. The reform package was slowed down last year to make way for measures to halt the pace of inflation, an official of the State Planning Commission said.

Investment in key and large projects this year will be jointly done by the commission and the State Development Bank, which was set up last year, the official said. He said the planning commission would dig a proverbial hole and the bank would plant a tree in it. In the past, investment was solely approved and carried out by the planning commission. "The new pattern has been decided according to Zhu Rongji's theory on economic reform," he said.

In 1993, the Chinese vice-premier reaffirmed China's intention to go ahead with investment reform to meet the requirements of a market economy. But Mr Zhu's reform was delayed because the planning commission was unwilling to abandon its investment power at a time of national stringency. The reform did not make any big progress during last year when overall reform focused on macro-economic levels. In Mr Zhu's reform package, investment reform is an important part off the reform ethos. As a result, the central government has been unable to control the scale of fixed asset investment and high inflation has been triggered as a result. According to a report by the State Statistics Bureau, fixed asset investment nationwide last year increased by 27.8 per cent compared with the previous year. Inflation hit 24.1 per cent, its highest level since the communist takeover in 1949. The central government hit back by sending working groups into regional governments to stem the growth of investment in fixed assets.

This year, the central government hopes the new investment system can help the battle against inflation. "But the proportion of total fixed asset investment done by the State Development Bank is very small," said an official of the People's Bank of China, the country's central bank. Last year, the investment placed by the bank in large projects accounted for less than 10 per cent of the total fixed asset investment, he said. "So, it is hard to say that the system will effectively scale down the growth of investment to halt inflation this year," he said. Moreover, the bank official was worried whether there would be new wrangles between the planning commission and the development bank.

**Wu Bangguo on State Enterprises Management**

HK2302115595 Beijing **CHINA DAILY** in English  
23 Feb 95 p 2

[By Sun Shangwu: "State Firms Urged To Focus Reforms"]

[FBIS Transcribed Text] A top Chinese official urged state-owned enterprises, the backbone of the national economy, to focus their reform on enhancing internal management and improving quality and efficiency.

That is the way for state-owned enterprises to upgrade their competitive capability in an increasingly fierce market, Wu Bangguo, member of the Secretariat of the Party Central Committee, said yesterday.

The thorny issue of high inflation is linked with insufficient enterprise reform, which includes poor management and low efficiency, Wu told the closing session of a three-day national conference on enterprise management in Beijing.

The meeting was sponsored by the State Economic and Trade Commission.

He blamed some in government departments and enterprises for neglecting management. They pay too much attention to such issues as defining enterprises' property rights and turning their firms into corporations or joint-stock ventures, he added.

Though a clear definition of property rights is the key to modern enterprise reform, the success of enterprise reform cannot be achieved based only on this, Wu said.

Other elements should include scientific management, the separation of functions of enterprises and government departments, and a definitive clarification of rights and responsibilities in firms.

"Any change in the external environment cannot replace enterprises' internal management," Wu added.

Government departments launched an investigation in 2,000 money-losing state enterprises last year. They found two-thirds had deficits because of poor management.

On strengthening enterprises' internal administration, Wu said the settlement of defaulted capital among state firms will be important tasks for capital management work.

He urged enterprises to cut their surplus staff, which he stressed as "important work for enhancing management."

Wu also emphasized the importance of training a group of qualified managers because their quality will play a leading role in deciding the fate of enterprises.

**RENMIN RIBAO Examines State Enterprise Reform**

*HK1802034595 Beijing JINGJI RIBAO in Chinese*  
7 Feb 95 pp 1, 2

[Article by Yuan Mu (5913 2606): "Several Issues of Basic Understanding on State Enterprise Reform"]

[FBIS Translated Text] Editor's note: This article created certain repercussions after appearing in the 28 January edition of *RENMIN RIBAO*. Based upon readers' opinions, the author has made several additions and revisions, and we now specially publish the new version. [end editor's note]

The reform of state-owned enterprises is the focal point of China's economic work this year and for a period of time to come. It is also the crux of accelerating the establishment of a socialist market economic structure and of smoothly pushing forward the drive for modernization. Having conducted investigation and study for some time, some experts, academics, and entrepreneurs held several group discussions in which they felt deeply that consensus must be reached on some basic issues to ensure the success of the reform. Here, we would like to elaborate on some of their views and ask for advice from the vast number of our readers and men of insight.

**I. The Overall Assessment of State-Owned Enterprises**

It is necessary to make an assessment of the state-owned enterprises historically, comprehensively, and objectively. This is a matter of primary importance and a basic footing regarding state enterprise reform, because our ideas on reform will be entirely different if, on the whole, we take an affirmative or negative attitude toward the state-owned enterprises. In this regard, our basic views are as follows:

First, after several decades of hard work since the founding of the PRC, we have established a state industrial system with a complete range of varieties which has laid down a powerful material foundation for faster economic development in China. Being basic units of the state economy, state enterprises, and large and medium state enterprises in particular, are exercising an extremely significant role in China's economic development.

Second, since reform and opening up, state enterprises, and large and medium state enterprises in particular, are still the major embodiment of China's comprehensive economic strength, the major source of financial income, and the major strength of social stability. In 1993, the industrial output value, the net value of fixed assets, and the profits and taxes of state-owned enterprises at and above township level accounted for 53, 75, and 66 percent respectively of the country's total. In communications, post and telecommunications, finance, and other industries, state-owned enterprises also held an absolutely predominant position.

Third, state-owned enterprises are exercising a key role in supporting reform and opening up and promoting the

growth of other economic sectors. The introduction of some major reform and opening measures and the rapid development of collective enterprises, foreign-invested enterprises, and other economic sectors such as individual and private enterprises, were achieved through the greater share of the burdens borne by the state-owned enterprises in respect of financial taxation, unreasonable price burdens, social burdens, and overly heavy personal burdens. Without this condition, the practicing of many reform and opening measures is difficult to imagine.

Fourth, after a dozen years of reform, state-owned enterprises are gradually changing to become independent economic entities with decisionmaking power. Even under the condition of unequal competition, a considerable portion of enterprises still gained relatively good results. Taken as a whole, the economic results scored by state-owned enterprises were not poorer than enterprises in other economic sectors. According to State Statistical Bureau data, in 1992, profits and taxes realized by state-owned enterprises were 11.7 yuan per 100 yuan of sales income, which was higher than those realized by collective enterprises and other economic sectors at 9 and 10.2 yuan respectively. In 1993, the composite index of economic results for large and medium state-owned industrial enterprises was 9.6 percentage points higher than the national average, while the profit and tax rate on capital and the overall labor productivity were 0.35 percent and more than 33.3 percent higher than the national average respectively.

It is necessary to emphatically point out that state-owned enterprises are the reliable foundation and principal front for socialist material and spiritual civilizations, as well as for the building of socialist democratic politics and national defense.

It goes without saying that, judging from the current conditions of state-owned enterprises, there is still a rather long way from the demands of socialist market economic development and social progress, and the problems of inadequate vitality and poor efficiency are far from being fundamentally resolved. Quite a few enterprises are still suffering from serious losses, even with their production suspended or partly suspended. This is due to causes in terms of structure, mechanisms, or other reasons. For a long time, the actual tax burden for state-owned enterprises has been heavier than that for other economic sectors. For many years, they have also handed over too much in profits and taxes to the state while obtaining inadequate financial input, so that their debts are heavy, equipment is worn out, and their technology is backward. What is more, they have to bear onerous social burdens, provide jobs for excessively large numbers of surplus laborers, and so on. All these constitute precisely the problems that they must and can resolve by way of reform. While noting the problems existing in state-owned enterprises, it is all the more necessary for them to see the mainstream and achievements attained by them to strengthen their confidence and inspire their enthusiasm for running the enterprises

more properly. Under no circumstances should we regard the state-owned enterprises as a complete mess and treat them as "burdens"; still less should we negate everything they have achieved, otherwise reform will be led astray.

## II. The Basic Orientation and Guiding Principle of Reform

It is imperative to carry out reform in state-owned enterprises. Only by resolutely eliminating various drawbacks in the traditional planned economic structure and by adapting themselves to the requirements of market economic development, can the state-owned enterprises fundamentally extricate themselves from their predicament. According to the expositions given by the 14th CPC National Congress and the Third Plenary Session of the 14th CPC Central Committee, the socialist market economy is a market economy which is closely linked with the basic socialist system, and which should display the superiority of socialism and the basic function of resource allocation through the market. Therefore, our basic orientation of the state enterprise reform is: We should generally maintain the principal position of the public economy and exercise the leading role of the state economy. On the other hand, we should discover the best model for ownership by the whole people, so that they will genuinely become the main body of market competition and operate with vigor and vitality in accordance with the rules of the market economy.

To carry out state enterprise reform in line with this basic orientation, we must adhere to the spirit of emancipating the mind and seeking truth from facts as consistently advocated by Comrade Deng Xiaoping, persist in proceeding in everything from the basic conditions of the country and the state-owned enterprises, and always take whether or not this reform is beneficial to developing the productive forces of the socialist society, augmenting the comprehensive national strength of the socialist country, and enhancing the people's living standards as the yardsticks for weighing the gains or losses as well as success or failure of the reform. To put this guiding principle into effect, we should pay attention to resolving the following problems in practical work.

First, we should adopt a correct attitude toward foreign models and foreign experiences. The Western countries have been engaged in the market economy for several hundred years, have acquired a relatively profound understanding of the law governing the market economy under the condition of large-scale socialized production, and have accumulated a lot of successful experience. In this respect, we should learn from them and use their experiences as reference. We must be firm on this point. However, whether in revolution or in construction, we will never succeed, but will certainly fail, if we copy the models and experiences of other countries indiscriminately. This point is also applicable to the practice of establishing a socialist market economic structure. China is a big country in the East boasting a long history

and cultural tradition and is also a developing socialist country in which the historical position and role of the state economy and state-owned enterprises are extremely different from those of the developed capitalist countries. Certainly, China has its specific forms of expression with regard to applying the general laws governing the market economy and exercising the role of enterprises as the main body of the market. However, the existing model and experience of any country cannot completely settle the problems in China. In the course of studying and assimilating their successful experience, we can only combine it with China's actual conditions so that it will be practicable in China after renovation and transformation.

Second, we should adopt a correct attitude toward our historical experience. After several decades of development, the state-owned enterprises have also accumulated a lot of good experience although there are still quite a few problems. For example, the successful measures, including the "system of two participations, one reform, and three-in-one combination [the system of cadres participating in productive labor and workers participating in management, of reform of irrational and outdated rules and regulations, and of close cooperation among cadres, workers, and technicians]" aimed at absorbing the vast numbers of staff, workers, and technicians in participating in the democratic management of enterprises; the mass labor emulation to arouse the working class's initiative, enthusiasm, and creativity; the activities of making rationalization proposals and technical innovation; the work to intensify the "three basic tasks" (which means strengthening the building of basic-level units, basic management, and basic skills); and so on have been heeded and assimilated by some developed countries at present and in the past. How should we discard them now! The question lies only in how we should use, disseminate, and develop them in light of the new historical conditions. At present, a very conspicuous problem is that the management work in our state-owned enterprises has been continuously debilitated. Since the Third Plenary Session of the 11th CPC Central Committee, enterprise reform has gone through different stages, including the expansion of decisionmaking power in operations, the change from profit delivery to tax payment in two steps, the practice of the contracted responsibility system, the transformation of operational mechanisms, and so on. Generally speaking, we have scored notable results and accumulated new experience. Since the 14th CPC National Congress and the Third Plenary Session of the 14th CPC Central Committee, we have set the demand that enterprise reform must focus on blazing new trails for systems so as to gradually institute a modern enterprise system. The process from the expansion of enterprises' decisionmaking power to the institution of a modern enterprise system is the manifestation of repeated expansion of reform areas, the further maturing of reform conditions, and the continuous deepening of reform. It is the inheritance and development of previous reform experience and is by no

means a fresh start. Hence, we must not regard the issue from outside its historical contexts. We should conscientiously sum up reform experience gained in the previous stage, analyze its limitations and flaws, and make it the starting point of the in-depth reform.

Third, we should correctly handle the relations between reform, development, and stability. Carrying out reform positively and steadily, effecting a breakthrough at key points, and pushing it forward step by step are successful experiences. Reform should be conducive to promoting development and maintaining stability. State-owned enterprises are still undertaking the principal responsibility for economic development and social stability. In carrying out reform, we should positively get rid of the drawbacks and maintain the continuous development of production and a steady increase in workers' incomes. We should not push the large number of surplus workers into society regardless of the consequences, nor should we allow the large number of state-owned enterprises to land in a predicament because of our inappropriate measures. Otherwise, the economy will decline and many staff and workers will lose their jobs, which will probably trigger off social unrest.

Fourth, we should make unified planning, give guidance according to varying conditions, and make a concrete analysis of concrete issues. In such a big country as China where the economy develops in an extremely imbalanced way, there are great disparities between enterprises in different areas and trades. Consequently, the problems in reform encountered by enterprises differ in a thousand ways. We can only start with resolving the practical problems in light of the characteristics of various enterprises, make unified planning, give them guidance according to varying conditions, and adopt different concrete methods and steps to carry out reform. Here, there is one point that we must always emphasize. That is, we must conscientiously resolve enterprises' thorny problems, really enhance their vigor, and genuinely promote the development of productive forces.

### III. Upholding the Public Ownership Position As a Mainstay

In expounding the theory of building socialism with Chinese characteristics, Comrade Deng Xiaoping repeatedly stressed the need to persist in taking public ownership as the main body, pointing out that this is a fundamental principle that should be firmly upheld at all times. In the course of establishing the socialist market economic structure and carrying out reform in state-owned enterprises, we can only solidify and develop, rather than vacillate and weaken, the mainstay position of public ownership through reform. The reasons are as follows:

First, upholding the mainstay position of public ownership is an essential manifestation of the difference between the socialist and capitalist market economies.

Second, upholding the mainstay position of public ownership is the material foundation for resolving the

problem of providing adequate food and clothing for nearly 1.2 billion people in China, putting an end to exploitation, eliminating polarization, and ultimately achieving common prosperity.

Third, upholding the mainstay position of public ownership is the prerequisite for a multinational country like China, where the level of productive forces is developing rather unevenly, to narrow the gap between areas, promote coordinated development and common prosperity for various nationalities in various regions, enhance national unity, and achieve a lasting good order in the country.

Fourth, upholding the mainstay position of public ownership is a major condition for the state to better exercise regulation and control of economic life from the macro level, effect reasonable allocation of the elements of productive forces within the entire society, and bring about a sustained, rapid, and healthy economic development.

On the ownership issue, some views need to be clarified:

First, we should not criticize without making analyses that ownership by the whole people is "but an empty shell of property rights," think that "everything owned" means "nothing owned" by the whole people, and maintain that state-owned enterprises cannot become vigorous and energetic unless their rights are represented by stocks held by individuals through reform of property rights. After several decades of development, China's state-owned enterprises have grown from small to large, and the state-owned assets have increased from some billion to several trillion yuan. They are the most important guarantee for the socialist society in the development of productive forces, the increase of national strength, and the enhancement of the people's living standards. These properties are created by the people, so, they belong to them and are used by them. How can this be "nothing owned by the whole people?" Finding out the best form of manifestation for the ownership of the whole people through reform and simply negating the nature of the ownership of the whole people are two entirely different things. The former is the major objective of our reform and the latter is what we should do all we can to avoid. We must on no account confuse one with the other.

Second, we should not discuss abstractly the question that ownership is merely a means and not an end. The aim of our reform is to develop the productive forces more rapidly and effectively and the productive forces we want to develop are those of the socialist society. If we do not uphold the position of public ownership as a mainstay and exercise the leading role of the state-owned economy, we will have no socialism at all. Therefore, we should by no means use the argument that ownership is "merely a means and not an end" to shatter or even negate the fundamental principle of persistently taking public ownership as a main body in building socialism, as repeatedly stressed by Comrade Xiaoping. Otherwise,

upholding the position of public ownership as a mainstay will become unessential and meaningless.

Third, we should not discard our party's consistent proposition that nonpublic economies are necessary and useful "supplements" of the socialist public economy. Only by adhering to this principled stand and established policy can the public ownership maintain its position as a mainstay and attain long-term coexistence with the multiple economic sectors so as to complement each other's advantages, encourage the further growth of nonpublic economies, and fully exercise their positive role. This will also help intensify the necessary guidance to and management of these economic sectors to restrict some of their negative effects which have been unavoidably produced. Some people are prone to cite the conditions of "privatizing" the "state-owned" or "publicly-owned" enterprises in developed capitalist countries or some burgeoning industrial countries, believing that "privatization" has become a development trend in the world economy, and that China seems unlikely to be an exception. However, there are two points that should be pointed out without equivocation: First, the above idea simply negates the essential difference between the socialist and capitalist systems because, under the capitalist system which is based on private ownership, privatization of enterprises is natural and logical. Second, even in the developed capitalist countries and some burgeoning industrial countries, there are still some "state-owned" or "publicly-owned" enterprises that are comparatively well or even very well managed. Meanwhile, the practical results of privatization have been good for some and bad for others, so they have either been praised or censured by public opinion. The practice of privatization in some former socialist countries which have undergone drastic changes, shows that the actual conditions and their prospects are not really very good. Therefore, privatization cannot be taken as a conduct guide for us.

#### IV. Operation Areas and the Proportion of the State Economy and Organizational Form of State-Owned Enterprises

This is closely linked with the issue of upholding the mainstay position of public ownership and exercising the leading role of the state economy. In our view, exercising the leading role of the state economy means that, being the representative of advanced productive forces, the state economy must control the lifelines of the national economy, act as the main force in international economic competition, display its functions as foundation and dragon head in the national economic development, give guidance to other multiple economic sectors, and promote the coordinated development of the regional economy.

In order to exercise the leading role of the state economy, the state-owned enterprises must be engaged in the basic and noncompetitive industries. At the same time, they should also exercise a major role in the competitive industries that have a bearing on the national economy

and the people's livelihood and on the long-term development of the country. Generally speaking, they should chiefly cover the following aspects:

1. Social public infrastructure facilities, such as mail, telecommunications, transportation, ports, large irrigation projects, and so on. These facilities can produce great social effects but, since they call for large amounts of investment and the returns are slow, nonpublic enterprises are generally not in a position to undertake the construction of these facilities.
2. Basic industries such as coal, electrical power, petroleum, iron and steel, nonferrous metals, chemicals, and so on, which are important bases for the country's economic development.
3. Backbone industries such as machinery, electronics, automobile, building, and so on, which are major strengths that contribute to the entire national economic development, elevate the quality of the economy as a whole and increase international competitive power.
4. New hi-tech industrial departments are newly emerging industries with an impact on the country's advancement in science and technology and the readjustment and upgrading of the industrial structure.
5. Industries exercising a role in regulating and controlling the national economy, such as banking and others, which are the indispensable trades for the state to carry out policies of macroeconomic regulation and control and structural readjustment.

Under the precondition of maintaining the leading position of the state economy, instead of excluding the participation of foreign investors and other economic sectors, we should appropriately attract their participation in these areas. This is workable and is conducive to accelerating the economic development in China, so we should do it accordingly.

Since reform and opening up, state-owned enterprises have positively utilized foreign capital and imported advanced technology, products, and managerial expertise, which have mitigated the contradiction of insufficient funds in enterprises, expedited the transformation of enterprise operational mechanisms, and played an active and important part in running these enterprises well. On the whole, the results have been very good. In the future, we should continue to take the positive utilization of foreign capital as a major channel for running state-owned enterprises properly, thereby bringing about a faster process of reorganizing and transforming more state-owned enterprises. At present, however, some places or enterprises have taken the "grafting" transformation through utilization of foreign capital as the principal, or even only, outlet for state-owned enterprises. They used the limited domestic funds to establish new projects, seriously ignored enterprises' technical transformation, and entirely depended on foreign investors for the transformation of old enterprises.

Such ideas and practices merit serious discussion. Here, it remains a big question as to whether or not we have large amounts of foreign capital to utilize. Moreover, foreign investors generally like to invest in enterprises which have good economic results and development prospects, having no interest in those that are in great difficulty and urgently need to be transformed. Furthermore, if all or most of our state-owned enterprises are transformed into joint ventures or foreign-invested enterprises, what will China's overall economic situation look like at that time? This is an extremely important issue which we should consider seriously and treat conscientiously.

Regarding the proportion of the state economy in the entire national economy, there are definite stipulations in principle set out in the decision by the Third Plenary Session of the 14th CPC Central Committee as follows: "The state and collectively-owned assets should hold a predominant position in the total social assets," so as to help "the state economy control the lifelines of the national economy and exercise a leading role in the economic development." The "predominant position" stated therein should be understood to cover both quantity and quality because there will be no quality without a certain quantity. Under the circumstances that the state economy has declined noticeably and state assets have drained away substantially over the past few years, it is obviously inappropriate to blindly advocate a further substantial reduction in the proportion of the state economy and it would even be dangerous to put it into practice.

Of course, we should also note that before reform and opening up, we had set up projects, which were too numerous in number and too large in scope, in the trades and departments that were not suitable for state economic operations. This has not only affected and restricted the growth of other economic sectors but has also become a major cause of the current situation whereby state-owned enterprises are bogged down in great difficulties. Therefore, it is indeed necessary to contract the fronts under the precondition that the efforts to exercise the leading role of the state economy are not affected and to transfer with compensation some state-owned enterprises, mainly small ones, in a proper and systematic way. However, the practice of rushing headlong into mass action should be avoided. In this way, we will not cripple the state economy but foster its even healthier growth.

On the issue of enterprises' organizational pattern, state-owned enterprises should also select appropriate forms according to their actual conditions. Various types of state-owned enterprises with varying conditions should have multifarious forms, which may include wholly-owned state enterprises or enterprises under mixed ownerships such as companies with limited liability, shareholding companies, and so on. They can be jointly formed by several state-owned main investment bodies or by such bodies plus nonpublic and individual sectors. In future, the state economy can absorb social funds and

provide guidance through wholly-owned state enterprises, as well as enterprises whose stocks are held by the state, so that they can exercise the leading role more effectively.

#### V. The Modern Enterprise System

The Third Plenary Session of the 14th CPC Central Committee has put forward the reform direction of gradually instituting a modern enterprise system. The essence of this issue is to establish a microeconomic pattern under which public ownership is organically combined with the market economy and to genuinely turn state-owned enterprises into economic entities full of vigor and vitality and capable of participating in market competition under the guidance of Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics. In the reform practice of instituting a modern enterprise system, we should definitely pay attention to the following issues:

First, the modern enterprise system in China should also accord with China's national conditions and have Chinese characteristics. After nearly a century of development, the Western developed countries have formed a set of enterprise systems which are relatively suited to the environment of the market economy and conducive to boosting large-scale socialized production. In carrying out enterprise reform, China should study, assimilate, and absorb them seriously. We must fully affirm this point and cannot hesitate or waver about it under any circumstances. However, in such a large country as China, having its own unique long historical and cultural tradition, where the basic system of socialism has been established, while economic development is relatively backward, China's enterprise system will also have its own unique model. That is why we should not simplistically imitate or indiscriminately copy the existing Western enterprise systems. Furthermore, the enterprise systems in various Western countries also have their own characteristics, and there is no unified and immutable model. Therefore, we must proceed from the reality in China and initiate a modern enterprise system with Chinese characteristics in light of our specific features and on the basis of conscientiously assimilating the successful experiences of the Western developed countries.

Second, the modern enterprise system with Chinese characteristics should "take public ownership as a main body." Certainly, an enterprise system is not equal to an ownership, yet they have differences as well as connections that cannot be artificially separated. Over a period of time, when explaining the modern enterprise system, some comrades only stressed that it had no connection with ownership. Perhaps this view is wrong. The Third Plenary Session of the 14th CPC Central Committee pointed out unequivocally: "The modern enterprise system with public ownership as a main body is the basis of the socialist market economy." In our opinion, it is extremely necessary and important to unify people's understanding in accordance with this thesis.

Third, we should seek truth from facts and pay attention to actual results. The modern enterprise system is not merely a form but has rich connotations. Whether or not an enterprise should institute a modern enterprise system is not a matter of the name. Rather, it should be judged chiefly by whether or not it has genuinely transformed operational mechanisms, established a scientific management system, possesses advanced technological equipment and quality products, and has the capability of developing energetically amid the market environment of equal competition. These are the yardsticks to justify the institution of a modern enterprise system. The findings of quite a few surveys show that a considerable portion of shareholding enterprises set up in China some time ago, including a lot of listed companies, did not really transform their operational mechanisms, neither did they clearly understand the standardized requirements for instituting the joint-stock system. They only changed the signboards and took the joint-stock system as an instrument for fund-raising. In the course of reform for the institution of a modern enterprise system, we must certainly avoid the occurrence of such a situation.

Fourth, we should practice boldly and advance steadily, but the pace should be quickened moderately. The institution of a modern enterprise system in China is also creative systems engineering like the establishment of a socialist market economic structure for which there has, so far, not been any ready-made model or mature experience. We must explore new paths and practice boldly, sum up experiences and draw lessons in a timely fashion, and constantly enrich and perfect our knowledge. Meanwhile, those where conditions have matured should quicken their pace, but the tendencies of acting with undue haste, spreading on a full scale, rushing headlong into mass action, and conducting work just as a mere formality should be avoided because we cannot obtain actual results by so doing. At present, the experiment organized by the State Council in a unified way is a major step for the institution of a modern enterprise system. Various localities should suitably increase experiments of their own but they should not make experiments on too large a scale.

Fifth, the transformation of enterprises' operational mechanisms is the basic task and essential substance of the institution of a modern enterprise system. It should not be separated from the renovation of the enterprise system, still less should they be set against each other. The pilot enterprises practicing the modern enterprise system, and the great majority of enterprises in the entire region, should further speed up implementing the regulations on transforming operational mechanisms in enterprises. In the meantime, they should intensify supervision over the state-owned assets according to the law, to advance toward instituting a modern enterprise system through concerted efforts.

#### VI. Regarding Enterprises' Corporate Property Rights

Since the concept of enterprises' corporate property rights was put forth in the decision of the Third Plenary

Session of the 14th CPC Central Committee, theoretical circles and the enterprise sector have shown great concern about it, and the explanations given on it from various quarters have been numerous and incongruous. The correct understanding of this issue is of vital significance in perfecting the enterprise corporate system, rectifying the failure of separating government functions from those of enterprises, and straightening out the relations between ownership and management in the state-owned enterprises.

In our opinion, it is wrong to think that raising the question of enterprise corporate property rights means wanting to form a new enterprise property ownership. Instead, it should be comprehended as an endeavor to further facilitate the separation of ownership from the management power, under the precondition of protecting the state ownership and ensuring the preservation and increase of value of the state-owned assets, and by way of defining enterprises' obligations to vest financial contributors with independent controlling power over the property which they operate and manage. It seems that the suggestion of defining enterprises' corporate property rights should be construed as a connotation that chiefly covers the following three aspects:

1. Guaranteeing the rights and interests of the owners. In accordance with the capital amount invested by the owners in an enterprise, they can enjoy various rights including the right to share profits, the right to elect members of the board of directors through legal procedures, participation in the appointment and dismissal of enterprise managers, and the right to participate in making major policy decisions concerning the enterprise.

2. Guaranteeing the independent operation of the enterprises. As long as an investor or several investors make financial contributions to an enterprise, it will become a new corporate entity, from which nobody can withdraw their contribution at will nor exercise direct intervention in the disposal and operation of the enterprise's property, to guarantee the enterprise's ability to undertake civil obligations over the property, operate independently, and assume sole responsibility for its own profits and losses.

3. Guaranteeing the limited liability to be undertaken by the financial contributors and enterprises respectively. After the contributors invest their money in an enterprise, they will only assume liability for the enterprise's debts within the limit of their investment, while the legal persons of the enterprise will only assume liability within the limit of the enterprise's total legal property as well as the civil obligations of operational results.

In order to arouse the initiative of the managers, staff, and workers of an enterprise, the owners may decide to distribute a part of its profits to them or even let them hold a certain amount of stock. They may also allot part of the stock to the operators as remuneration. However, these are actions generated by the owners' power and

cannot be decided by the operators, otherwise this will constitute an infringement upon the rights of the owners.

At present, apart from the understanding which takes the effort to define enterprise corporate property rights as an intention to form a new enterprise property ownership, there are various kinds of explanations based on the above understanding which have been openly published in newspapers and some meeting documents from time to time, and which have produced a certain impact on practical work. In recent years, China's state assets have drained away seriously, as many of them have become the property of small collectives or even individuals. Today, this tendency is still growing and we cannot help but say that it is, to a considerable extent, related to the above erroneous understanding. Hence, it has become a vital issue that should be seriously treated and strictly defined.

Since reform and opening up, and particularly since the practice of "changing allocation of funds into loans," some state-owned enterprises have been set up with loans provided by the state or specialized banks, rather than with the financial input of the state as they were in the past. Should these properties belong to the enterprises after repaying the loans? In our opinion, this practice of providing loans instead of putting in capital is a specific product of the transition period from the planned to market economy. The best way to settle this issue is to turn this part of the loans into capital held by the state. By so doing, we can reduce the loan burdens of enterprises and make clarify the ownership of the state over the enterprises, instead of making enterprises owners of the properties.

Straightening out the relations between the authority of owners and the responsibility of operators on the basis of clarifying the relations between ownership and management of enterprises is the essential content of instituting a modern enterprise system. We must pay serious attention to the reform of the property rights system. However, if we equate the reform of the property rights system with the institution of a modern enterprise system, thinking that the modern enterprise system will be automatically instituted once the issue of property rights is settled, then the condition of low efficiency in the state-owned enterprises will not be fundamentally changed. Such a view is, perhaps, also wrong. The problems currently existing in China's state-owned enterprises absolutely should not and cannot be totally attributed to the problems in property rights. That is why they cannot be resolved by just depending on the reform of the property rights system. What needs to be emphasized is that, in the final analysis, reform of the property rights system is aimed at exploring an effective method for the integration of public ownership with the market economy and at seeking an energetic micro-organizational form for the state economy and state-owned enterprises. This reform should be closely combined with the practice of separating government functions from those of enterprises, the transformation of enterprises' operational mechanisms, the enhancement of scientific management, and the acceleration of

technological transformation in enterprises. We must on no account lay stress on one aspect and neglect or even scrap the others.

#### VII. How To Start With Reform and Resolve the Practical Difficulties in State-Owned Enterprises

Indeed, there are quite a few state-owned enterprises with poor performances and low economic results in China today. Some of them have suffered losses for a long time, others have even suspended or partly suspended their production, and a number of practical difficulties exist universally in many enterprises. These problems have affected the overall situation of the macroeconomy and the stability of the ranks of staff and workers rather seriously and they have become urgent and realistic problems in the course of economic and social development. Under these circumstances, how should the reform of state-owned enterprises start? After repeatedly soliciting opinions from enterprise operators, staff, workers, experts, and academics, our comparatively unanimous views are: Reform must focus on the enhancement of economic results by every possible means; firmly grasp the key link of suiting, exploring, and occupying the market; lay equal stress on the transformation of operational mechanisms and the intensification of management; make great efforts to improve product quality; and strive to score relatively notable results for enterprises in terms of raising efficiency as quickly as possible. The above endeavors will be conducive to integrating the work of in-depth reform with the promotion of development and the maintenance of stability more effectively.

As for the problems currently existing in the enterprises such as inadequate funds, poor accumulative capacity, excessively numerous retirees and surplus personnel, overly heavy debt burdens, and so on, their occurrences are attributable to causes in terms of structure and mechanisms; cause of their own, such as low quality, poor management, and short-term behavior in enterprises; and other social and historical causes. If we do not resolve them as quickly as possible, they will seriously affect the advance of reform and even threaten the survival of the enterprises. To settle these problems enterprises must, in the first place, enhance their vigor and work assiduously and enthusiastically. In the meantime, the state should also create the necessary conditions for them.

It should be stressed that to overcome the practical difficulties encountered by enterprises, we cannot simplistically apply the traditional administrative measures or those adopted under the planned economic system. We should employ reform methods to solve the difficulties and combine this with enterprise reform so that they are carried out in a synchronous manner. To lighten the onerous debt burdens of state-owned enterprises, for instance, we cannot simplistically depend on such methods as financial input, bank write-off, debt remission, and so on, because the state and the banks are

incapable of doing this. Even though they are capable and will apply the above measures, then, with enterprises' mechanisms remaining unchanged, they will be encouraged to rely solely on the state and thus add a greater weight to the burdens already borne by the state and banks. Therefore, this problem can only be resolved chiefly through the measures of rescheduling debts and assets, changing creditor's rights to stockholder's rights, broadening the channels for fundraising, and so on, and through integrating the foregoing practices with state asset management structural reform and state investment and financing structural reform in the course of separating government functions from those of enterprises and transforming enterprises' operational mechanisms. Likewise, regarding the vast numbers of surplus staff and workers in the enterprises, we cannot simplistically push them into society. Rather, we should fully release the initiative of the government, enterprises, and individuals, encouraging the public, collective, private, and individual economic sectors to jointly participate in the development of a diversified economy, the absorption of the enterprises' surplus personnel, and the acceleration of economic development, thereby turning the disadvantages into advantages. Meanwhile, enterprises should also deepen reform within themselves, take pains to improve their quality, repeatedly enhance their managerial standard, and arouse the enthusiasm of all the parties concerned to surmount the various kinds of difficulties which they face.

In order to solve the practical difficulties of the enterprises it is also necessary to carry out coordinated reforms and create a good external environment for them. It is necessary to further speed up changes of government functions and reduce the unreasonable administrative interference by the government departments in enterprise affairs so that the government departments can perform their due administrative and social functions well. It is necessary to establish an effective state-owned assets management and operational system, so that the state's administration over the enterprises as the owner can be changed from direct management into the management and operation of funds. It is necessary to improve and further promote reform of the management structure in the fields of planning, investment, and prices, as well as in financial, tax, and monetary affairs, so that the state-owned enterprises can really participate in competition in a fair market environment. It is necessary to actively promote the establishment of all kinds of markets, especially the market of major elements, and give fuller play to the basic roles of the market in resources allocation. It is necessary to accelerate reform of the social insurance system and establish and perfect all kinds of social insurance systems as soon as possible, including pension, unemployment, medical insurance, labor insurance, social relief, and other insurance and guarantee systems. All these issues, especially the establishment of a social insurance system, have already been placed on the agenda and they brook no further delay.

### VIII. The Issue of State-Owned Enterprises in Counties (Cities)

The state-owned enterprises in counties (cities) make up a considerable number of enterprises which are not under the public ownership system, or other forms of publicly owned enterprises, needs further study. Under China's current situation, will the practice of encouraging the state-owned enterprises in counties (cities) to change into enterprises which are not under public ownership result in further and greater losses of state-owned assets or even affect the development of the county-level economy? If we make full use of the superior position of the state-owned enterprises in counties (cities) and only change some of them into enterprises under other forms of public ownership, such as county-level or regional publicly owned enterprises and share cooperative enterprises [gu fen he zuo qi ye 5140 0118 0678 0155 0120 2814], will it be more conducive to county-level economic development? All these issues have yet to be further explored and studied in practice. China has a vast expanse of land and its economic development is very uneven. The development of state-owned enterprises in counties (cities) also varies from place to place because of their different environments and different levels of economic development. We must be sure not to blindly impose uniformity on them.

### IX. The Issue of State-Owned Enterprises Going Bankrupt

In order to intensify reform of the state-owned enterprises, it is necessary to establish a normal mechanism for bankruptcy, so that the superior state-owned enterprises will win and the inferior ones will be eliminated in market competition. This is very helpful and necessary to promoting the rational readjustment of enterprise organization and industrial structure, reorganizing the state-owned assets, reinvigorating the enterprises, increasing the overall returns of state-owned enterprises, and reducing the burden on the state. It is also an important task in enterprise reform, to which we should attach sufficient importance. At the same time, when practicing the mechanism of enterprise bankruptcy, we must also pay attention to the following points.

First, it is necessary to be cautious while actively suffering losses and quite a few of them are on the verge of bankruptcy. If we allow too many enterprises to go bankrupt all at once, problems will occur in many fields concerning the lives, employment, and state of mind of the workers. If these matters are not handled well, they may affect social stability. Therefore, it is necessary to proceed from the overall situation and take social stability and other factors into comprehensive consideration so that the work can be carried out steadily.

Second, the process of going bankrupt should be coordinated with relevant reforms in various fields. As bankruptcy, especially the bankruptcy of large enterprises, concerns many economic, legal, and social problems in a wide range of fields, it is restricted by many conditions in

practice. Therefore, it is necessary to create some coordinated conditions. It is necessary to speed up reform of the social insurance system and establish and perfect the relief system for the unemployed as soon as possible.

Third, it is necessary to make good arrangements for relocating the workers from the bankrupt enterprises. Apart from an appropriate arrangement for their basic livelihood, it is also necessary to improve the training system for workers who have changed their work posts and to create new employment opportunities. It is necessary to encourage them to find jobs through their own efforts and develop job-introduction service institutions so that the workers from the bankrupt enterprises can find a new way out and gain new hopes.

Fourth, it is necessary to protect the rights and interests of the creditors and prevent the loss of the state-owned assets. In the process of bankruptcy, it is necessary to prevent the phenomenon of declaring bankruptcy in order to evade debts and the phenomenon of excessive distribution of the enterprise assets, which are then turned into cash, among the workers. Although making arrangements for the workers before paying off debts is a normal procedure in bankruptcy and clearing off debts, which conforms to China's national conditions, it is improper to distribute all the cash funds among the workers. There are already symptoms of these two deviations, which should arouse our serious attention.

Fifth, large state-owned enterprises, which have not been operating well, especially those extraordinarily large enterprises, should not go bankrupt easily; it is necessary to consolidate and reorganize them through a bankruptcy protection procedure. In this way, the shocks to society can be reduced or avoided and there will be a greater pressure on the enterprises, the administrative and managing personnel of the enterprises, and the vast numbers of workers, so that enterprises administration and management can be improved.

#### X. The Position and Roles of Entrepreneurs and Reliance on the Working Class

The practice in reform of the state-owned enterprises fully proves that the development of enterprises and the increase in their economic returns are both directly and closely related with the decisionmaking and management level of their managers. The position and role of entrepreneurs are very important. Under generally similar conditions, whether an enterprise is operating well often depends on its leading body. In a certain sense, enterprise managers often play a decisive role in the destiny of the enterprise. Only by bringing up large numbers of authoritative, capable, and high-quality modern entrepreneurs can the development of the socialist market economy be vivid and dramatic.

At present, there are still problems in the state-owned enterprises. First, the problem of lacking outstanding entrepreneurs who have a good knowledge about the market economy. Second, the problem of lacking a

competition mechanism. As a result, capable people are unable to take important positions and the incompetent still remain at their posts. Third, the problem of lacking an encouragement mechanism. Although the entrepreneurs who are shouldering heavy responsibilities have made great contributions, they are not rewarded and their enthusiasm is thus dampened. Fourth, the problem of an ineffective leadership structure and the unclarified powers and responsibilities of entrepreneurs. As there are many restrictions around them, they are unable to concentrate their energy on improving enterprise management and operation. Fifth, the problem of an imperfect supervisory mechanism. The nominal wages of the managers are not high but, on the other hand, there are quite a few phenomena of practicing fraud and turning public funds into private gain, bringing about great losses and the waste of state-owned assets.

In order to intensify reform of the state-owned enterprises, it is necessary to resolve all these problems as soon as possible. It is necessary to establish, in a positive manner, an operation and management structure and an encouragement mechanism in state-owned enterprises in accordance with the principle of unifying power, responsibility, and benefit and the laws of the market economy. It is necessary to fully mobilize and give full play to the initiative of entrepreneurs. It is necessary to attach importance to the ideological progress of entrepreneurs and cultivate their sense of responsibility toward the state, society, enterprises, and workers through ideological education, media propaganda, and social ethics guidance, so that entrepreneurs will have a sense of honor, a sense of morality, and a spirit of devotion. Successfully handling the issue of the rational income of enterprise operators is an important link in establishing an encouragement mechanism for entrepreneurs. The main method is to link their income with the achievements in their operation. The income of enterprise operators is determined by their achievements. Thus, they will be encouraged to concentrate their main efforts for increasing income on improving management, and defects such as gaining more by evil ways can be reduced. Of course, while increasing the income of enterprise operators, our national conditions must also be taken into consideration. The increase should not be too great. It is also necessary to step up the work of perfecting the supervisory mechanism for entrepreneurs, such as establishing a scientific responsibility system for enterprise operators and carrying out strict examinations, appraisals, and auditing at regular intervals. Those who have done an excellent job in fulfilling their tasks and who have made meritorious contributions to preservation and appreciation of the state-owned assets should be awarded and promoted to important posts, and those who have not fulfilled their tasks and who have practiced fraud should be dismissed from their posts or given necessary punishment in light of the seriousness of their specific cases.

The broad masses of workers are the masters of state-owned enterprises. It is necessary to rely on the working

class wholeheartedly and give play to the spirit of the workers as the masters of their houses. This is decided by the nature, position, and role of the state-owned enterprises and an important part of the party's line, which we have always emphasized. Whatever reforms have been carried out in the enterprise, and whatever systems established, we must steadfastly adhere to this principle because it is an important expression of the superiority of the socialist enterprises and an important guarantee for the establishment of a socialist market economy structure. In order to increase the quality of the enterprises as a whole and their competitiveness, it is far from sufficient to merely give play to the role of the entrepreneur. It is also necessary to give full play to the initiative of the vast numbers of workers. In this respect, the capitalist countries often draw on the experiences of the socialist countries in mobilizing the workers' initiative. How could we neglect our superiority in this respect, which is possessed naturally by the socialist system!

In changing the operational mechanism of enterprises and creating and establishing a modern enterprise system, it is necessary to pay attention to cultivating a sense of participation among the masses of workers and creating a concentrated atmosphere of democratic management. It is necessary to develop vigorously the activities of rational proposals and technological innovations and further improve the enterprises' internal distribution system so that the great latent creativity of the masses of workers can be aroused and brought into play.

The broad masses of workers are the main force of enterprise reform and also the main participants. The interests of workers coincide with reform. Without the support and participation of the workers, no reform can succeed. It is necessary to protect the just rights and interests of workers in the course of reform. It is necessary to continue to carry out painstaking ideological and political work and encourage the broad masses of workers to enthusiastically throw themselves into enterprise reform. At the same time, it is necessary to take their immediate interests into full consideration and resolve their difficulties so that reform of the state-owned enterprises can be pushed forward smoothly.

#### State To Counteract Actions Causing Asset Loss

HK2302073895 Beijing XINHUA Domestic Service in Chinese 1115 GMT 10 Feb 95

[By reporter Zhang Jinsheng (1728 6930 0524): "China To Take Tough Measures Against Those Responsible for Loss of State Assets"]

[FBIS Translated Text] Beijing, 10 Feb (XINHUA)—Pan Yue, deputy director of the National Administration of State Property, told the press in Beijing yesterday that to protect state property and prevent the loss of state property, the administration would adopt effective measures to prosecute those responsible for loss of state assets.

According to Pan, loss of China's state property has aroused widespread concern at home and abroad. The

party's Central Committee and the State Council have also paid great attention to the matter. Therefore, the National Administration of State Property has promulgated a series of policies and regulations to ensure that the value of state assets is preserved and increased and to prevent loss of state assets. In particular, the "Regulations on Supervision and Management of the Property of State Enterprises," published and put into effect by the State Council, is of great importance to solving the problem.

Pan said that loss of state assets means the loss of state assets or of the state's due proceeds caused by units occupying the assets in breach of laws, statutes, and administrative rules and regulations. A survey conducted by the National Administration of State Property indicates that the reasons for the great losses of state assets mainly lie in defective management mechanisms and imperfect and incoordinated policies and statutes, which is commonplace in the period when the old system is being replaced by a new one. State assets are lost in eight ways. First, in setting up Sino-foreign joint venture enterprises or in enterprise reform, the value of state assets is not assessed or is under-assessed. Second, in joint-stock enterprises, rationed shares and dividends are not given to state-owned shares. Third, some localities sell state assets at low prices in the name of defining the property rights and responsibilities of enterprises, reducing the state to a "liability shareholder [gao cheng liao fu zhai chi gu 2260 2052 0055 6298 0280 2170 5140]." Fourth, some enterprises in financial difficulties break themselves down into smaller units to transfer funds and equipment and to evade paying debts. Fifth, some enterprises and institutions do not enter state assets in their accounts and thus create large amounts of nonledger funds. Sixth, when state enterprises run collective enterprises, state assets are transferred to or occupied by collective enterprises without compensation, thus changing state assets into collective assets or even individual assets. Seven, in nonstandard property rights transactions, state assets are sold at low prices. Eighth, fees are not charged for the occupation of state assets according to relevant regulations when nonoperating assets of administrative or public institutions are turned into operating assets.

According to Pan, in 1995 the National Administration of State Property will conduct large-scale investigations into loss of state assets at home and abroad, focusing on losses caused by the changes in property rights and by the confused relationship between ownership and management of enterprises. The administration will also investigate loss of state assets brought about by organizing Sino-foreign joint ventures or Sino-foreign co-operative business operations and by reorganizing enterprises into companies or joint-stock companies; loss of gold resources and land assets; and loss of state assets outside the borders. After all this has been done, those responsible for loss of state assets or involved in relevant major cases will be brought to justice.

**Trade Unions To Better Protect Workers' Rights**  
OW2202171095 Beijing XINHUA in English 1637  
GMT 22 Feb 95

[FBIS Transcribed Text] Beijing, February 22 (XINHUA)—Collective contracts signed by businesses and workers must provide a clear description of pay, work time, vacations, and other matters to protect the rights and interests of the two sides.

This came in a circular issued here today by the All-China Federation of Trade Unions (ACFTU) in line with the labor law and the trade union law of China.

Saying that the collective consultation and contracting system is suitable to various types of businesses, ACFTU added that it will focus on Sino-foreign joint ventures, private enterprises, and township enterprises in promoting the system.

Trade unions of state-owned enterprises should start implementing the system since the system was first tried out in 100 state-owned large and medium-sized enterprises which are changing to ones with a modern enterprise system.

Other businesses, which feel that the time is right, can apply the collective consultation and contracting system in advance.

According to the circular, the collective contract must also cover labor safety and hygiene on the job, special protection for female workers, the time covered by the contract, consulting methods for making changes, dismissals, termination of contracts, rights and responsibilities of the two sides, ways to solve contractual disputes, and any thing else that should be included.

The circular said that collective contracts of state-owned enterprises can also include goals of economic growth and social development, which have been agreed to by both sides.

ACFTU suggests that the duration of contracts be three years. The enterprise and its trade union, the workers' representative, should have consultative meetings regularly. The results of consultation should be provided to workers and be legally binding.

**Commentator's Article on Curbing Exorbitant Prices**

HK2302074195 Beijing FAZHI RIBAO in Chinese  
28 Jan 95 p 1

[Commentator's article: "Standardize Market Pricing Order in Accordance With the Law"]

[FBIS Translated Text] For some time it has been an increasingly serious phenomenon that people reap exorbitant profits by such improper pricing means as price deception. It has caused strong discontent among the broad masses. This exorbitant behavior disturbs normal pricing order, accelerates unfair distribution, seriously

harms the legitimate rights and interests of consumers, and affects the incentive of the broad masses of people for devoting themselves to reform. Therefore, it is very necessary to stop exorbitant profit-making through the formulation and implementation of corresponding laws and regulations.

Under the conditions of a socialist market economy, formulating laws and regulations in order to stop exorbitant profit-making both conforms to the wishes of the people and is objectively demanded in the market economy. This exorbitant behavior runs counter to the laws of the market economy. Market prices should increase and decrease in keeping with changes in supply and demand. But under imperfect market conditions, the law of value cannot play a regulating role on its own. Some lawless business people use improper competitive behavior such as deception and monopoly to drive up prices and then reap exorbitant profits. They even push up general price levels. In principle, there is nothing wrong with the objective of maximizing one's profits. Without this objective, producers and business people will lose their motivation and vitality for market competition and economic returns cannot be increased. The point in question is by what means one should reap a high profit. If one reaps a high profit through improper competition such as deceptive and monopoly prices, one's income is illegal. Exorbitant behavior ruins the exchange of equal value and fair competition, the most fundamental principles of market economy.

Market economy is a law-governed economy. The change from a planned economy to a market economy demands the freeing of prices. But this does not mean that we should do nothing to control prices after they are freed. Rather, we must regulate, control, and guide them through indirect means; and one of the important means is legal means. The law grants all natural persons and legal persons the right to participate in market dealings on an equal footing. It opposes all unfair dealings including such improper behavior as deception and monopoly. Moreover, such improper behavior as deception and monopoly are the foundation of the production of exorbitant profits. Therefore, stopping exorbitant profit-making is demanded by the very nature of market economy and is a due connotation in law. Stopping exorbitant profit-making, promoting the formation of reasonable prices through standardizing market pricing behavior, and establishing and maintaining a market pricing order where there is compensation of equal value, fair dealing, and fair competition precisely embody the principled demands of the operational laws of market economy. Therefore, the formulation and implementation of laws and regulations to stop exorbitant profit-making supplement and perfect the Law Against Unfair Competition and are conducive to the perfecting of China's competition laws.

The Provisional Regulations Governing the Stopping of Exorbitant Profit-Making, as approved by the State Council and promulgated by the State Planning Commission, are China's first law specially made to cope with

exorbitant profit-making. It will play an important role in safeguarding the healthy development of China's socialist market economy, encouraging and protecting fair competition, stopping improper pricing behavior such as exorbitant profit-making, standardizing market pricing order, establishing a new price operational mechanism, and protecting the legitimate rights and interests of business people and consumers. Its formulation marks the further perfection of China's system of socialist competition laws and is favorable to the inclusion of price control and macroeconomic regulation and control on the legal track in a better way.

First, the promulgation of the regulations is an effective measure to curb inflation. In addition to the still excessively large investment scale and the excessively speedy growth of consumption funds, one of the important reasons for the current inflation is that there is a lack of standardization of market dealing behavior and the circulation order is rather disorganized, which gives rise to such serious problems as the arbitrary raising of prices and charging of fees. The promulgation of regulations governing the stopping of exorbitant profit-making shows the CPC Central Committee and State Council's determination to curb inflation and will surely effectively curb the spreading exorbitant behavior.

Second, the promulgation of the regulations is conducive to setting people's minds at rest and bringing into play the initiative of the broad masses of people in devoting themselves to reform and opening. Some people mistakenly conceive the market economy as being speculation. There is even the adverse tendency among others that they regard speculation as their regular job and use speculation to make a profit. Resolutely stopping exorbitant profit-making is of great significance to preventing the public psychology from tilting, to enabling the broad masses to foster correct values, and to adhering to the socialist path amid reform and opening.

Third, the promulgation of the regulations will put price control on the legal track and is conducive to the perfection of the system of market competition laws. Although regulations governing the quotation of exact prices have made public the pricing behavior of business people, they have not resolved the problem that quality does not match prices and cannot achieve the goal of giving the exact price for a product. Therefore, corresponding laws and regulations are badly needed to standardize behavior. The Law Against Unfair Competition does not standardize exorbitant profit-making in the area of price, so corresponding laws and regulations badly need formulating. We can say that the promulgation and implementation of the regulations can in a certain sense fill the gap in China's market competition laws and regulations.

#### Commentary Endorses Role of Entrepreneurs

HK2302070495 Beijing XINHUA Domestic Service in Chinese 2102 GMT 9 Feb 95

[“Weekend Economic Commentary” by reporter Li Anding (2621 1344 1353): “Entrepreneurs—the Irreplaceable Role”]

[FBIS Translated Text] Beijing, 10 Feb (XINHUA)—Both international and domestic experiences tell us that the key to running an enterprise well lies in a good leading body, a good product, and a good mechanism. Today, our reforms are advancing forward in all directions, but the roles of entrepreneurs can never be replaced by the improvement of any external environment.

While pushing forward reform of the state-owned enterprises in our country, which is a very arduous battle, a very important task is to cultivate and bring up groups of outstanding entrepreneurs.

At present, a number of outstanding enterprises have emerged in some areas where there has been vigorous development of the state-owned economy. What they have rightly relied on is the hard struggle of those outstanding entrepreneurs. For example, the work of the leading body of the Haier Group in Qingdao and the Entrepreneur Groups in Liuzhou has been fully affirmed by leaders at various levels and by the vast numbers of workers. We must give publicity to their experiences on a grand scale, so that people can have more confidence in running state-owned enterprises well, and so that more enterprises can learn from their good experiences, and can strengthen their operation and management to increase their economic returns.

To state-owned enterprises, getting onto the track of the socialist market economy is a new subject for study. They need thousands upon thousands of outstanding and new-type entrepreneurs. At present, the three kinds of foreign-funded enterprises, as well as town and township enterprises, already have adopted various means of competition permitted under the socialist market economy, but the plant directors and managers of some state-owned enterprises still have not yet adopted such means. They are continuing to complain about the external environment or about the higher authorities for not creating conditions for them. Thus, the superiority of state-owned enterprises in technology, management, and human resources has not been turned into a superiority in products, markets, and operations. By comparing the economic development in coastal areas with that in the hinterland, some people believe that an important factor in the gap between the two areas is the gap between them in the concept of entrepreneurs. If their old concept of entrepreneurs is not changed, state-owned enterprises will find it difficult to get out of their difficult situation under the conditions of the market economy.

Therefore, training and bringing up a large contingent of entrepreneurs who are professionals, with a good knowledge of the socialist market economy, will be the foundation for improving enterprise management and operation. It is an important task for state-owned enterprises in order to improve their operations. The quality and ability of entrepreneurs can be increased, their ideological concepts can be renewed, and their sense of responsibility toward their work can be strengthened through practice. They need to temper themselves through practice in order to renew their ideological concepts and

strengthen their sense of responsibility for their work. However, it is also necessary to create a favorable environment and conditions for them, and to provide them with space for study and development.

Strengthening the building of an entrepreneurial contingent is an important task of the government departments in charge of relevant work once government administration is separated from enterprise management. It is necessary to strengthen the training of plant directors and managers in light of the objective demands of the market economy. It is necessary to study and work out some standards for examination and appraisal of entrepreneurs, and to set up files on the achievements of operators and managers. It is necessary to explore channels to offer professional training for the entrepreneurial contingent, gradually establish a market of highly qualified management personnel, and gradually change the system of selecting and appointing enterprise managers into a system of selecting and inviting outstanding personnel to relevant posts through competition in the human resources market. It is necessary to adopt the annual pay system for enterprise managers on a trial basis; improve the examination, award, and punishment systems; and gradually establish a mechanism for the managing personnel under which the superior will win and the inferior will be eliminated. It is necessary to adopt new methods in light of the current situation of enterprise reform in order to strengthen the building of an entrepreneurial contingent.

#### Policy Allows Surplus Personnel To Start Firms

HK2302110795 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 0818 GMT 10 Feb 95

[FBIS Translated Text] Beijing 10 Feb (ZHONGGUO TONGXUN SHE)—A few days ago, the China State Administration for Industry and Commerce announced that redundant personnel in party and government organizations may start businesses in order to engage in economic activities, and such businesses may be registered.

This is just one of eight relaxation policies focusing on the production and operation of enterprises, which the administration has proposed with a view to developing China's market economy. The other seven policies are:

- With the approval of the responsible departments, mass and social organizations may unfold operational activities, focusing on consultancy, by linking their own characteristics and professional needs.
- Industrial and commercial administrative departments may allow registration of those projects that utilize foreign capital to conduct land development or operate retail business, transportation, finance, and insurance trade with the approval of those organs authorized to conduct examination and approval.
- With the approval of the relevant departments, foreign capital may be used to conduct market construction.

—When an enterprise applies for change in its operational arena, methods, or name, the enterprise legal person may directly submit an application, and the industrial and commercial administrative organs may directly accept and handle the case.

—With the exception of those trades and products that call for special permits and separate examination and approval as stipulated by the state, other enterprises may break through the boundary of trades, select production and economic modes on their own, and engage in production, marketing, wholesale, and retail business.

—Support will be given for the practice in which redundant personnel from enterprises initiate economic entities, and their operational realms and methods will not be subject to the restrictions of their original enterprises. And,

—Support will be given to the development of enterprise groups and pioneering experiments in the shareholding system.

#### Statistics Bureau on Economic Control in 1995

HK2302074495 Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 25 Jan 95 p 2

[“Monthly Economic Analysis” column article by Wan Donghua (8001 2639 5478), contributed by the State Statistics Bureau: “Mastering the Strength of Aggregate Macroeconomic Regulation and Control”]

[FBIS Translated Text] Maintaining a sustained, rapid, and healthy economic growth and bringing an evident fall to runaway commodity prices are China's basic targets of macroeconomic control and regulation in 1995.

Taking a look at the environment of economic growth in 1995, we can see both advantages and obstacles. Favorable conditions include the following: First, the economic work conference recently called by the CPC Central Committee has defined the guiding ideology and key tasks for this year's economic work, and made deep-going expositions on a number of major issues concerning the ideological understanding of reform and development, thus laying a fairly sound policy environment for the future smooth development of our economy; second, all the major reform measures adopted in 1994 have scored good results, and four general balances regarding finance, credit, materials, and foreign exchange are all tending to take a turn for the better; third, the large-scale construction of basic industries and infrastructural facilities under way over the past few years has reinforced the country's potential for continued economic growth; fourth, our focus on enterprise reform this year while further improving and promoting other coordinative reforms will help inject great vigor and vitality into the country's economic development; and fifth, the expansion of China's opening and exchanges with the outside world, the

increase in the country's foreign exchange reserves, and the economic recovery of major western advanced countries all serve as favorable conditions for China to make better use of international capital, technology, and markets, and to bring about a sustained and fairly rapid growth of its economy.

However, we should not fix our eyes only on the favorable side and lose sight of the many unfavorable factors that exist in this year's economic work: To curb excessively high price rises and bring them down to a level bearable to all social sectors we have to continue to implement a fairly tight money policy, and make a certain sacrifice in terms of growth rate; and the heavy crop failures and the subsequent tight supply of a number of major agricultural products caused by last year's natural calamities in many places will exert a lingering adverse impact on all facets of our economic life for years to come.

What is more, the dilemma that state-run enterprises are facing in their production and operation is unlikely to undergo a considerable change within a short period of time, and new contradictions will unavoidably crop up during the process of enterprise reform. All these are issues we should pay sufficient attention to in pressing ahead with this year's reform and development.

The trend of economic growth in 1995 will be mainly decided by changes in the aforementioned favorable and unfavorable factors; and also by the way we coordinate and handle the relations between reform, development, and stability. Yet what counts in all our efforts is how we are going to adjust the growth rate of our economy and master the strength of price control. Different ways of handling the relations between the two will lead to the following three possible situations:

First, the phenomenon of "double high's" will continue to exist. Many localities still have a strong desire to seize opportunities for further development, and they continue to vie with each other for higher growth. The fast-growing coastal areas, which are enjoying a relatively favorable policy-related environment, better geographic positions and operational mechanisms, and a relatively strong economic foundation, want to develop themselves at an even faster pace; and as for inland areas which have undergone a slower development, they are now making every effort to catch up with coastal areas and narrow the gap between the two, and are therefore unwilling to slow their pace. As a result, the implementation of macrocontrol measures has become very difficult, and both the economic growth rate and commodity prices still remain at a high level.

Particularly under the present circumstances wherein enterprises are running under capacity and are faced with more difficulties in their production and operation, and wherein the voices from all sides calling for relaxing control still remain strong, we should be all the more careful on the issue of how to exercise control, for any mistakes in exercising control and any premature moves

to relax control over the money supply will lead to an unfavorable situation characterized by accelerated economic growth, investment inflation, and a new overheating of the economy; if this is the case, we may be forced in the end to adopt the measure of "slamming on the brakes," which will eventually hurt the structure of our economy and exert a major impact on the country's economic growth.

Second, an excessive squeeze may result in the situation of "stagflation." Unduly hasty efforts to push prices down to certain macrocontrol targets as well as excessive retrenchment measures carried out from a variety of angles may lead to a situation wherein the economic growth rate plummets drastically while commodity prices only experience a minor fall. Judging from all facets of the present situation, we can see that China's economic growth may slow down during the first quarter and even the first half of 1995; however, due to the lingering effects of factors remaining from last year and cost-pushed inflexibility, market prices will continue to remain at a high level. If we fail to recognize this inevitability now, we may have to further depress demand for investment and money supply if price rises cannot be brought under control; in that case, there will be a greater possibility of the emergence of a situation of "stagflation."

Third, on the basis of correctly handling all economic relations and mastering the strength of macrocontrol in a reasonable way, the economy will make a smooth "soft landing," with which the economic growth rate can be brought down to an appropriate level, an evident fall can be registered in commodity prices, and the entire economic operation can move toward the targets of macrocontrol and regulation.

It is obvious to all that when drawing up macrocontrol policies, we should try our best to avoid the first two situations and strive to realize the third. In our concrete work, besides making resolute efforts to implement the spirit of the central economic work conference, adopting workable and effective measures to vigorously curb price rises, augmenting agricultural production, and deepening the reform of state-run enterprises, we should also pay particular attention to correctly mastering the strength of macrocontrol in terms of quantity and scope.

Based on macroeconomic model estimates and comparisons of different plans, and considering all changeable factors existing in the economic operation of 1995, some experts and scholars find the following macrocontrol strength suitable for the aggregate volume of the macroeconomy in 1995: An economic growth rate between 8 and 10 percent is considered appropriate for the year.

At present, China's economy is in the middle-to-later stage of the fourth periodic cycle of economic turbulence since the initiation of reform and opening; and generally speaking, the economic growth of 1995 has already passed the peak point of the cycle, yet the economy will continue to run in the fast-speed zone during this year. A

growth rate lower than 8 percent may add more difficulties to the current dilemma faced by enterprises, and will prove detrimental to a full use of existing production capacity and resources. However, if the growth rate goes higher than 10 percent, commodity prices will continue to remain at a high level, and contradictions in the supply and demand of capital, energy, and transportation will tend to become more prominent, thus hampering the long-term development of our economy. On the issue of mastering the strength of control over investment and money supply, we can, in principle, set the actual growth rate of fixed-asset investment and money slightly higher than the growth rate of the economy, under the prerequisite of an optimized input structure. As regards the quantitative measurement margin, a flexible range of 2:1 should be basically maintained between the nominal growth rate of fixed-asset investment and money supply and the actual growth rate of the economy; in other words, the annual growth rate of investment and money supply should be controlled at 20 percent, and it is inadvisable for it to exceed a ceiling of 25 percent.

The focus of price control this year is to standardize the main market bodies and market behaviors, gradually digest cost-pushed factors, and strive to control the annual rise of commodity retail prices within 15 percent and the annual rise of household consumer prices at no higher than 17 percent.

**Bureau Reports Downward Turn in Inflation**  
*OW2302081395 Beijing XINHUA in English 0747  
GMT 23 Feb 95*

[FBIS Transcribed Text] Beijing, February 23 (XINHUA)—China's inflation declined further in January, obviously indicating that prices have been put on a downward path.

The State Statistics Bureau told XINHUA today that the country's inflation rate was 24.1 percent last month, compared with the same period last year.

The figure represents a drop of 1.4 percentage points from December's 25.5 percent. Inflation hit a record high of 27.7 percent last October before going down to 27.5 percent in November.

Liu Shucheng, a senior economist with the Chinese Academy of Social Sciences, said in a telephone interview that the figures for the past three months clearly signal a turning point in the inflationary trend.

"The extent of the drop during the three-month period was remarkable according to our research and it represents the start of a downward trend," Liu said.

Ye Zhen, spokesman for the State Statistics Bureau, said that he shares this view with Liu, and since as the state's macro-economic control measures have taken effect, the national economy is coming down with a soft-landing.

They both expressed the belief that, with the government continuing with its efforts, inflation will remain on a downward path in 1995.

They warn, however, that the current levels of inflation are still too high in China, and the task of curbing price hikes will not be an easy one.

Major indices, such as investment and the amount of currency in circulation remained at double-digit levels last year and the state must strive to scale them down further this year, they said.

**Statistics Bureau Reports Economic Data for Jan**  
*OW2302114295 Beijing XINHUA in English 1044  
GMT 23 Feb 95*

[FBIS Transcribed Text] Beijing, February 23 (XINHUA)—China's economy continued to turn for the better in January this year, with a fast growth in industrial production, a brisk market, a continued growth in exports, and balanced financial revenue and expenditure, according to a report released today by the State Statistics Bureau.

The monthly report says that China's industry realized a total of 123.7 billion yuan in output value last month, 11.4 percent up from the same month last year.

However, the growth of state-owned industry was smaller than the non-state sector, the report says.

Statistics show that state-owned industry produced 81.9 billion yuan in output value last month, five percent up from the corresponding month of 1994. Collectively-owned enterprises produced a total output of 36.2 billion yuan, 18 percent higher than the same month last year.

According to the report, light industry's growth rate was bigger than heavy industry last month. [sentence as received] Light industry's total output was 52.5 billion yuan, 14.5 percent higher on a year-on-year basis, while heavy industry realized an output value of 71.2 billion yuan, 8.9 percent up.

The report says that the retail sales market last month was active. The social retail sales volume was 160.02 billion yuan, 34.3 percent up on a year-on-year basis. The growth rate was 10.8 percent in real terms.

According to the report, the country's retail price index rose 21.2 percent last month over the same month last year, but was two percentage points down from December of 1994.

Meanwhile, the consumer price index rose 24.1 percent over the corresponding month of 1994, but was 1.4 percentage points down from December.

Food prices registered the highest growth rate among all commodities last month, the report says.

The report says that the January export volume hit 9.2 billion US dollars, 88.3 percent up from the same month

of last year. The import volume was 6.5 billion US dollars, a rise of 13.7 percent.

In addition, banks also saw "a substantial rise" in the amount of deposits last month. A total of 74.3 billion yuan was added in individual deposits, 37.4 billion yuan more than the same month of 1994.

**Survey on Regional Tertiary Industry Development**  
*OW2302051095 Beijing XINHUA Domestic Service in Chinese 0250 GMT 21 Feb 95*

[By reporter Zhang Jinsheng (1728 6930 0524)]

[FBIS Translated Text] Beijing, 21 Feb (XINHUA)—The results of a general regional survey on the development of the tertiary industry in China showed that in Guangdong, Sichuan, Shandong, Jiangsu, Hebei, Zhejiang, Liaoning, and Henan, the tertiary industry developed more rapidly and economic efficiency grew faster than in other areas.

Survey results published by the office of the State Council's Coordination Group for the General Survey of the Tertiary Industry show: By the end of 1992, the number of Sichuan's tertiary industrial units topped the entire country; there were 2.04 million tertiary industrial units in Sichuan. Shandong had 1.94 million tertiary industrial units; Guangdong, 1.409 million; Zhejiang, 1.388 million; and Jiangsu, 1.386 million. Shandong had the most people working in the tertiary industry, the number being 8.035 million. In Sichuan, 7.986 people worked in the tertiary industry; in Guangdong, 7.369 million; in Jiangsu, 6.879 million; and in Henan, 6.33 million.

The survey results also offer information on the original value and added value of fixed assets of the tertiary industry in various regions by the end of 1992. Guangdong had the most original value of fixed assets worth 272.55 billion yuan. Shandong had 270.53 billion yuan, Hebei 162.55 billion yuan, Sichuan 159.43 billion yuan, and Henan 155.15 billion yuan. Guangdong also had the most added value of fixed assets of the tertiary industry. Its tertiary industry had added value of fixed assets worth 113.64 billion yuan. Shandong had 63.6 billion yuan, Jiangsu 59.92 billion yuan, Liaoning 52.79 billion yuan, and Sichuan 50.23 billion yuan.

**Port Construction Paves Way for Cross-Strait Trade**

*OW2302085995 Beijing XINHUA in English 0807 GMT 23 Feb 95*

[FBIS Transcribed Text] Xiamen, February 23 (XINHUA)—Xiamen, one of China's five special economic zones, in east China's Fujian Province, is accelerating port construction to pave the way for direct navigation across the Taiwan Straits.

Xiamen will focus on constructing the first phase of its Haicang port area and the third phase of the Dongdu district this year.

Haicang port has plans for building container facilities and multi-purpose berths in its first phase with a total investment of 566 million yuan. Dongdu is expected to build four berths to increase the annual handling capacity by 3.1 million tons.

Last year saw the completion of the second phase of Dongdu port which included a container berth able to accommodate ships of 35,000 dead weight tons (dwt), a 25,000-dwt coal wharf, and two 20,000-dwt multi-purpose berths.

Xiamen handled a record of more than 10 million tons of cargo and 200,000 standard containers last year.

**Finance & Banking**

**Ministry's First Notification on Treasury Bonds**  
*SK2302140895 Beijing XINHUA Domestic Service in Chinese 1708 GMT 22 Feb 95*

[FBIS Translated Text] Beijing, 22 Feb (XINHUA)—Notification (No. 1) of the PRC Ministry of Finance

Based on the "PRC Regulations on State Treasury Bonds," the distribution of 1995 three-year-term document-based state treasury bonds is notified as follows:

1. Distribution of 1995 three-year-term document-based state treasury bonds will begin on 1 March and end on 31 July.

2. Calculation of the interest of document-based state treasury bonds will begin on the date of purchase, and the principal and interest are will be paid together at maturity. The annual interest rate will be 14 percent for bonds held for three years, and value-guaranteed subsidies will be given.

3. Document-based state treasury bonds may be registered or reported loss, and shall not be circulated on the market. When the distribution period ends, bond holders may redeem the bonds ahead of time at the places where the bonds were purchased.

4. Document-based state treasury bonds will be distributed to the public. Individuals and other investors may purchase them at the Industrial and Commercial Bank of China, the Agricultural Bank of China, the Bank of China, the People's Construction Bank of China, the Communications Bank of China, savings deposit centers of postal departments, and state bond service centers of finance departments.

5. Interest on the document-based state treasury bonds will be calculated on a simple interest rate rather than on a compound interest rate.

Relevant specific methods will be promulgated separately.

This is hereby notified.

[Signed] The Ministry of Finance of the PRC

[Dated] 22 February 1995

**Ministry Announces Plans for Treasury Bonds**  
HK2302115395 Beijing CHINA DAILY in English  
23 Feb 95 p 1

[By Ren Kan: "Treasury Bond Issue Coming"]

[FBIS Transcribed Text] China plans to issue two kinds of three-year-term treasury bonds starting March 1, the Ministry of Finance announced yesterday.

The standard and certificate bonds will be sold to both individual and institutional investors.

Analysts said the bond issue will help the country draw idle funds from the public to support economic development and offset the national deficit.

It will also offer a safe and high-yielding investment opportunity for Chinese residents who have deposited more than 2,000 billion yuan (\$238 billion) in banks.

Last year's issues totalling more than 102.8 billion yuan (\$12 billion) were warmly received by Chinese investors.

The new standard bond will carry a coupon rate of 14.5 percent, 2.26 percentage points higher than bank fixed deposits of the same term.

The bonds will be underwritten by securities institutions before being sold to the public.

Market trading of the bonds is to start after the issue closes on March 20.

If investors hold the certificate bonds for the full three years, the interest rate will be 14 percent. During the term, the interest rate will be pegged to the inflation rate.

Interest will be calculated from the date of purchase.

Investors will be able to cash their certificates at any time after the sale ends on July 31.

**Shanghai Forex Market To Introduce Yen Transactions**

HK2302044395 Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) in English  
23 Feb 95 p 5

[By Elaine Chan and agencies]

[FBIS Transcribed Text] The fledgling Shanghai-based China Foreign Exchange Trade Centre (CFETC) will trade yen as well as United States and Hong Kong dollars. "We will start trading in Japanese yen on March 1," said CFETC market development officer Zhu Jiawei yesterday. He said more and more customers needed such transactions as Japanese investment grew in China. "There is a high demand for Japanese yen especially in Dalian, Qingdao and Chongqing where Japanese investment is concentrated," he said.

Although Japanese financial institutions are a major force in Shanghai's financial sector and Japan is the leading foreign investor, banks said demand for yen was

not great. The Bank of Tokyo estimated that 10 to 15 percent of its customers needed to do Japanese yen transactions while a Sanwa Bank manager estimated Japanese yen customers accounted for 20 to 30 percent of its business. The move, however, would save on commissions, bypassing the need to go through US dollars in yen-yuan transactions.

Currently the State Commission for Restructuring the Economic Systems is considering the inclusion of the yen and German marks into the country's foreign exchange market. Division chief of the department of comprehensive programming and experimenting, Deng Xianhong, said it aimed to gradually develop a long period transaction. "At the moment, we only deal with current period transaction and the foreign exchange market is not so active."

Mr Deng said the mainland's system was in the cubism stage of development. "Therefore we have to use this tangible market for the time being because the fact is we are making a transformation to an intangible market," he said. But he would not say how long that would take.

Mr Deng said the basic ideas of reforms for this year included prompting the reform of state-owned enterprise, targeting on establishing a modern enterprise system, implementing social security system reform and cultivating the market system.

Meanwhile CFETC, set up in April last year as part of China's foreign exchange reforms, recorded a turnover of US\$40.7 billion in its first nine months of operation. Transactions in US dollars amounted to US\$38.5 billion while Hong Kong dollar swaps amounted to HK\$18.35 billion.

Wang Deshun, the vice president of the CFETC, recently said the centre would look into starting forward transactions.

**\*Article Views Stock-Issuing Experience in Hong Kong**

95CE0196A Beijing GUANLI SHIJIE (MANAGEMENT WORLD) in Chinese No 5, 24 Sep 94 pp 73-78

[Article by Li Zhang (2621 1625) of the State Restructuring of the Economic System Commission: "Analysis of State Enterprise Stock Performance In Hong Kong"; edited by Wang Bing (3769 0365)]

[FBIS Translated Text] Nine leading enterprises began trading their shares in Hong Kong between June 1993 and June 1994. They are Qingdao Beer Corporation, Shanghai Petrochemical Corporation, Guangzhou Guangchuan International Corporation, Beiren Printing Machinery Corporation, Kunming Machine Tools Corporation, Maonshan Iron and Steel Corporation, Yizheng Chemical Fiber Corporation, Tianjin Bohai Chemical Industrial (Holdings) Corporation, and Dongfeng Electrical Machinery Corporation (abbreviated hereafter as Qingpi,

Shihua, Guangchuan, Beiren, Magang, Kunji, Yizheng, Bohai, and Donglian, respectively). The implications of this development are unmistakable: 1) Firmly committed to reform and the open policy, China has now entered the realm of international operations; 2) Chinese enterprises will make demands on themselves in accordance with international standards; 3) these enterprises will be the leaders for other state enterprises as they gradually adjust themselves to international practices; 4) it will promote the transformation of the mechanism of state enterprises; 5) it will increase the amount of international information flowing into China; 6) the message it sends out about a stable China will help bring about the smooth return of Hong Kong to China in 1997; 7) these companies will be able to master the techniques of operating in international stock markets; 8) it will help develop pilot projects in the shareholding system within China and improve the domestic stock market; and 9) it will directly freeze idle foreign funds.

#### I. Brief Background Note

Raising capital by floating stock was the original reason for the enthusiasm of Chinese enterprises for experimenting with the shareholding system. But there are no more than two fund-raising channels, domestic and foreign. Raising domestic funds has been going on for years now, but there was no such thing as raising foreign funds through the shareholding system before 1991. In early 1992, China raised a substantial amount of foreign capital by issuing B shares. However, the inconvenience of buying and selling B shares, irregularities in the financial practices of domestic enterprises, and the failure of the legal system at home to meet international standards (for instance, China still does not have a company law that complies with international practices), eventually caused B-share investors to hesitate and trading slowly withered. Wanke, for instance, issued only 70 percent of the B shares it had planned to issue, and Shanghai Waigaoqiao simply floated stock directly in Hong Kong. Even then it completed just 70 percent of its stock-floating plan. B-share trading fell steadily between February and June 1993. The B-share index at the Shanghai stock exchange plunged from 95 points to 59 points while its counterpart at the Shenzhen stock exchange also slipped from 163 points to 112 points during the same period, a more than 30 percent decline in both cases. This reflected the lack of confidence on the part of B-share investors in "indirect" investment and trading and their worry about the unstandardized practices of domestic enterprises and the lack of a comprehensive set of laws and regulations. If things continued this way, not only would the overseas fund-raising channel dry up, but the international image of Chinese enterprises and stock market would also suffer.

So opening up another fund-raising channel by which overseas investors could directly buy and sell shares outside China was put on the agenda of China's shareholding experiment. This move signifies that even as they successfully raise a large amount of foreign capital, Chinese

enterprises have also standardized their operational and financial practices and adopted international standards for their financial and accounting systems, thereby laying a solid foundation for the development of the shareholding system in China. "Outside China" came to be defined as Hong Kong—a place which has a legal system and an economic language that meet international standards and a social and cultural milieu that China could fit into readily. They also named the type of shares to be issued H shares, after the first letter in the colony's English name. The precise definition of H shares is as follows: special shares denominated in renminbi and traded in Hong Kong dollars whose issue has been authorized by the Hong Kong Joint Stock Exchange.

It is worth noting here that back in 1991, Hong Kong already drew up a long-range economic development strategy which envisioned the evolution of the Hong Kong Joint Stock Exchange into an issuing organization for Chinese securities and an intermediary between Hong Kong and international investors. As a middleman operating in accordance with the market principles of fairness, orderliness, efficiency, and convenience, the Hong Kong Joint Stock Exchange would raise foreign funds for Chinese enterprises and create opportunities and provide services for Hong Kong and international investors interested in investing in China. In 1992 the Hong Kong group submitted a plan to the highest echelon in China under which Chinese enterprises would be able to float stock directly in Hong Kong. With both sides thinking along the same lines, the H shares plan was born and quickly won endorsement from leading comrades on the State Council. Preparations for the launching of H shares began on two fronts in 1992.

First, drawing up a list of stock-issuing state enterprises. For whatever reason, state enterprises in all provinces and municipalities were highly enthusiastic about issuing H shares and actively applied for the right to do so. But the departments concerned set strict requirements for candidacy. H-share enterprises had to be evenly distributed across the nation. They should be large or mid-sized state enterprises in transportation, energy, and other basic industries. They should have a good reputation, and their leaders and workers had to be of high caliber.

After a careful selection process, nine state enterprises, all leaders in their own industries, became the first batch to be authorized to issue H shares in Hong Kong. They came from a broad cross section of the industrial sector, representing such industries as chemicals, light, printing, machine tools, and power generating, which gave them a representative character.

Second, setting up an accounting system and formulating a company law that comply with international practices. If we want to issue stock in Hong Kong, we must operate in accordance with international rules. At the time, however, China still lacked a company law. Nor did it have a corresponding accounting system that complied

with international rules. The two opinions concerning companies issued by the State Restructuring of the Economic System Commission were in line with national conditions, but included some provisions not consistent with international practices. The financial, accounting, and bookkeeping standards and methods of domestic enterprises still followed the receipts-payments bookkeeping system that took shape under the planned economy. It is simply impossible to reconcile domestic and international practices when it comes to account title, the accounting statement, account auditing, and so on. Given this situation, the authenticity of accounting information provided to international investors was severely compromised.

So we quickly went to work drawing up laws and regulations on the floating of stock that are consistent with international rules.

**In China:** In June 1993, the State Restructuring of the Economic System Commission formulated the "Circular on Supplementary Regulations on the Enforcement of Corporation Standardizing Opinion" by Companies Which Sell Stock in Hong Kong" and "Circular on Provisions That Must Appear in the Constitutions of Companies Which Sell Stock in Hong Kong." These two circulars closed the loopholes in the "Corporation Standardizing Opinion" and emphasized that "corporations that directly issue stock for trade in Hong Kong must enforce the Corporation Standardizing Opinion" and these supplementary regulations." The Ministry of Finance overhauled the financial and accounting systems not only of stock companies, but of all domestic enterprises, jettisoning the decades-old accounting system and replacing it with the brand-new "General Financial Rules for Enterprises" and "Accounting Standards for Enterprises" based on responsibilities and rights going hand in hand. As a result, China's financial, accounting, and bookkeeping standards have nudged closer to the international levels, and their methods are now more aligned with international practices. The "General Financial Rules for Enterprises" and "Accounting Standards" were approved by the State Council on 16 November 1992, and formally went into effect on 1 July 1993. The Ministry of Finance also developed the "Supplementary Regulations on Handling Accounting Problems of Enterprises Experiencing with the Shareholding System Which Issue Shares for Trading in Hong Kong."

**In Hong Kong:** Thoroughly mindful of the "preliminary" nature of the shareholding system in China and the rigor of international practices, the Hong Kong side tried to make sure domestic companies set to issue stock in Hong Kong complied with international norms to the greatest extent possible. As the Hong Kong Stock Exchange saw it, Chinese enterprises had to meet international standards in four areas: the accounting system; laws and regulations designed to protect investors; arbitration arrangements and monitoring and oversight; and evidence that the rights and interests of investors would

be protected. Accordingly, experts in Hong Kong specially amended the "Rules for Issuing Shares" for Hong Kong companies, giving Chinese-registered companies first priority in issuing shares on the Hong Kong Joint Stock Exchange, but also requiring Chinese stock issuers to abide by a number of rules. For instance, when the interests of the holders of A and H shares are affected, the two groups of shareholders should make a decision by vote. A corporation must prepare account items in accordance with Hong Kong or international norms. If two sets of accounting data are given in a financial report, based on Chinese and international standards respectively, major discrepancies between the two must be indicated.

On 19 June 1993, a "Memorandum on Control and Monitoring Cooperation in Securities Matters" was jointly signed in Beijing by the Chinese Securities Supervision and Control Commission, Hong Kong Futures and Securities Commission, the Hong Kong Joint Stock Exchange, and the Shanghai and Shenzhen stock exchanges. The memorandum lays down the basic principles to be observed by all parties and delineated areas of cooperation in detail.

So, after a year of intense preparations, the conditions to float H shares were basically in place. The actual operation formally began on 29 June 1993.

## II. H Shares Enter the Stock Market

Qingpi made public its stock-flooding prospectus on 29 June 1993. Qingpi proposed to sell shares at \$2.8 [Hong Kong dollars] a share to raise more than \$889 million. The people of Hong Kong reacted enthusiastically to the first offering of H shares. By the time stock solicitation closed, the stock was oversubscribed 110.47 times (excluding 450 million coordinating shares), actually freezing \$85.18 billion. On 15 July, Qingpi H shares began trading in Hong Kong as scheduled. On its first day of trading Qingpi stock hit a high of \$3.675 a share at one point and closed at \$3.60, up 28.57 percent from the initial offering price on volume of 170 million shares, making Qingpi the second most active stock on the Hong Kong Stock Exchange. The total value of transactions was \$624 million, 18 percent of the combined value of all transactions on the Hong Kong Stock Exchange that day, more than any other company. The first issue of H shares was a big success.

On 6 July 1993, Shihua became the second company to solicit buyers for its H shares to be issued in Hong Kong. The prospectus listed the initial offering price at \$1.74 a share and the company proposed to raise over \$2.9 billion. For a variety of reasons (to be explained below), however, the oversubscription rate was only 1.77-fold. On 26 July, Shihua stock began trading in Hong Kong as planned. It peaked at \$1.69 a share on its first trading day and closed lower, at \$1.61, up 1.90 percent from the initial offering price of \$1.58 after conversion into Hong Kong dollars. A total of 103 million shares changed hands with a combined value of \$166 million, a leader

on the Hong Kong Stock Exchange on both counts that day. [all figures as published]

On 21 July 1993, Guangchuan began soliciting buyers for its H shares, followed by Beiren on the 23d, hoping to raise \$300 million and \$200 million, respectively. The oversubscription rate rebounded for both companies, 77-fold for Guangchuan and 25-fold for Beiren. Between them the two enterprises froze as much as \$28.485 billion in funds. Both began trading on the Hong Kong Joint Stock Exchange on 6 August. At its highest point, the Guangchuan stock was changing hands at \$2.42 a share and closed the day at \$2.40 a share, up 15.38 percent from the initial offering price. The Beiren stock did better, trading at \$2.80 a share at its peak, and closing the day at \$2.75, up 32.21 percent from the initial offering price. Beiren was the second most active stock based on the number of shares traded, while Guangchuan ranked fourth. Neither Beiren nor Guangchuan made it into the top three based on the value of transactions.

On 20 October 1993, Magang began soliciting buyers for its H shares. The initial offering price was set at \$2.27 to raise over \$3.9 billion. After almost three months of recuperation, the people of Hong Kong seemed to have been re-energized. The stock was oversubscribed 68.70-fold and \$68.3 billion in funds were frozen. On 3 November, Magang H shares began trading on the Hong Kong Joint Stock Exchange. The stock was traded at \$3.90 a share at its peak and closed the day at \$3.65, up 60.79 percent from the initial offering price. Magang

topped the market in both the number of shares traded and the value of transactions.

On 23 November 1993, Kunji became the last company to issue H shares that year. The initial offering price was set at \$1.98 to raise \$130 million. The end of the year found the stock-buying enthusiasm of the Hong Kong people at an extraordinary level. Kunji stock was over-subscribed 628-fold, more than any other group of H shares. On 7 December Kunji H shares formally began trading on the Hong Kong Joint Stock Exchange as planned. It traded at \$6.10 at its highest point and closed the day at \$5.80, exceeding the initial offering price by more than 290 percent. the best H-share performance evc.. Kunji ranked first and second in the number of shares traded and the value of transactions, respectively.

On 14 March 1994, Yizheng became another corporation to issue H shares. The initial offering price was set at \$2.38 a share to raise about \$2.4 billion. It was oversubscribed 20.21-fold, a sharp drop from the past. On 29 March H shares began trading in Hong Kong as planned. It changed hands at \$2.55 a share at its peak, but unfortunately dropped below the initial offering price to \$2.3025 at one point, something that had never happened to H shares before. Then it recovered and closed the day at \$2.425 a share, a gain of just 1.89 percent compared with the initial offering price. Still, Yizheng stock outperformed all other stock on the market that day in terms of the number of shares traded and came in third based on the value of transactions.

Table 1. Nine State Enterprises Issue H Shares

Enter- prise Abbre- viations	Date		Price of Shares (in bil- lions of dollars)	Number of Shares Issued (in bil- lions of shares)	Value of Shares Issued (in bil- lions of dollars)	Over- sub- scrip- tion Rate (fold)	Funds From (in bil- lions of dollars)	Highest Closing Price (in dol- lars)	Closing Price (in dol- lars)	Volume of Trans- actions (in mil- lion shares)	Closing Price (in dol- lars)	Volume of Trans- actions (in 10,000 shares)
	Stock Promo- tion	Stock Trading										
Qingpi	29 Jun 93	17 Jul 93	2.80	0.3176	0.8892	110.47	851.80	3.60	1.736	7.25	10.6	10.80
Shihua <sup>1</sup>	6 Jul 93	26 Jul 93	1.74	1.68	2.9232	1.77	2.537	1.61	0.103	1.99	504.8	3.90
Guang- chuan	21 Jul 93	6 Aug 93	2.08	0.145	0.3016	77.00	23.21	2.40	0.056	2.65	29.4	5.90
Beiren	23 Jul 93	6 Aug 93	2.08	0.10	0.208	25.00	5.274	2.75	0.072	3.12	42.4	7.60
Magang <sup>2</sup>	20 Oct 93	3 Nov 93	2.27	1.7329	3.934	68.70	68.30	3.65	0.605	2.45	498	4.97
Kunji	23 Nov 93	7 Dec 93	1.88	0.065	0.1287	628	80.88	5.80	0.084	2.87	19.2	7.25
Yizheng	14 Mar 94	29 Mar 94	2.38	1.00	2.38	20.21	13.716	2.42	0.119	2.32	596.6	2.65
Bohai	3 May 94	17 May 94	1.20	0.34	0.408	1.25	0.409	1.10	0.069	1.01	5096	1.30
Dong- dian	19 May 94	6 Jun 94	2.83	0.1696	0.48	14	about 6.0	3.17	0.053	3.35	19482	3.35

Notes: 1. The initial offering price of Shihua H stock was listed at \$1.74 in the company's prospectus to raise \$840 million in Hong Kong and \$840 million in Europe and the United States. Finally the price was set at \$1.58 based on the exchange rates with the U.S. dollar and Hong Kong dollar. Subscription rate: 1.77-fold in Hong Kong, 2-fold in Europe and the United States.

2. Magang proposed to raise \$438 million in Hong Kong, with the remainder to be raised around the world.

On 3 May 1994 Bohai began soliciting buyers for its H shares at the initial offering price of \$1.20 a share, the lowest for any H shares. The plan was to raise \$400 million. The surprising thing was that despite the low initial offering price, the oversubscription rate was only 1.25-fold, hitting an historic low. On 17 May Bohai H shares began trading in Hong Kong as scheduled. Regrettably the stock traded at low prices and closed the day at \$1.10 a share, down 8.33 percent from the initial offering price. Never before had H shares closed the first day of trading at a price lower than the initial offering price. It ranked only fifth in terms of the number of shares traded and did not make the top 10 based on the value of transactions.

On 19 May 1994, Dongdian became the last company to solicit buyers for its H shares. The initial offering price was set at \$2.83 a share to raise \$480 million. At only 14-fold, the oversubscription rate was less than satisfactory. On 6 June Dongdian H shares made its debut on

the Hong Kong Joint Stock Exchange as scheduled. After climbing to \$3.325 a share, its best performance, the stock retreated and closed the day at \$3.175, up 12.19 percent from the initial offering price. It topped the market in the volume of shares traded and ranked second in value of transactions.

In just 1 year, the first batch of nine state enterprises made their debut on the Hong Kong Stock Exchange with varying degrees of success. In all \$11.6527 billion worth of stock was sold.

### III. Basic Characteristics

1) A top priority for the leadership. A new product of the reform and open policies, H shares have enormous political and economic significance and for that reason are taken most seriously by the leadership in the State Council, the State Restructuring of the Economic System Supervision Commission, the State Economic and Trade Commission, the Chinese Securities Supervision and Control Commission, and the leaders of all pertinent departments at the provincial and municipal levels. They regularly give instructions pertaining to a particular stage and keep a personal eye on every move in the issue and trading of H shares in Hong Kong.

2) Sound, meticulous, and comprehensive planning. After the decision was taken to issue H shares, comprehensive preparations went on for almost one year. There was sincere cooperation between Hong Kong and China in legal matters and over the accounting system; every single provision was carefully weighed to make H shares

as consistent with international practices as possible. For their part, the nine enterprises also planned every step in the process in great detail.

3) The nine enterprises selected to issue H shares are evenly distributed, essentially covering every geographical region in China and representing a wide cross section of the country's industrial lineup.

4) All nine enterprises stand out in their own industries and are the nation's mainstay corporations. Each of them has a distinguished track record in earning foreign exchange for the state and leads its industry in profits, total assets value, and product quality. Their reputations are impeccable.

5) The issue of H shares by the nine companies was timed just right, not too close to one another and not too far apart. It took almost a year for all nine companies to complete issuing and bringing their shares to the market. Four companies did so in June and July of 1993. Three months of rest and reorganization passed before they were joined by two more corporations in November and December of the same year. After another three-month break, the last three enterprises put their shares on the market one after another. The entire process was well paced. In each case, about 15 days elapsed after the shares were issued before trading began on the stock market, which was reasonable and well paced.

6) By and large H shares have been doing well on the market. Dongdian stock had the highest initial offering price, at \$2.83 a share. At the other end was Bohai, at \$1.20 a share. Magang issued more H shares, 1.7 billion, than any other enterprise, while Kunji issued the least, only 65 million shares. Magang also planned to raise more money, over \$3.9 billion, by floating H shares than anybody else, while Kunji planned to raise the least, \$130 million. Kunji stock had the highest oversubscription rate, 628-fold, while Bohai had the lowest, 1.25-fold. Kunji stock had the highest closing price on the first day of trading, while Bohai had the lowest (less than the initial offering price). Generally speaking the issue of H shares was a success in each case. Overall the stock traded at high prices on the first day of trading. The entire process of issuing and selling H shares was free from any oversight or omissions.

7) It has attracted the interest of other nations. The H shares success story has instantly enhanced the international prestige and reputation of Chinese enterprises. Countries like the United States, Britain, Japan, and Canada have all expressed the hope that China would select a number of enterprises to sell shares on their stock exchanges. This shows that the issue of H shares is an increasingly effective international showcase for China.

8) It has expedited the transformation of enterprise mechanisms, with significant gains in profitability. Because of strict international regulations and the fact that H shareholders have good effective ways of protecting their own rights and interests, the nine state

enterprises have improved their leadership structure and strengthened internal management. They now record accounting data accurately and disclose accounting information on time, not daring to delay at all. Of the six companies which issued H shares in 1993, all had shown a substantial increase in after-tax profits over 1992. In ascending order, they were Kunji, 340 percent; Magang, 330 percent; Qingpi, 316 percent; Beiren and Shihua, 98 percent each; and Guangchuan, 56 percent.

9) In general all H shares did well at the beginning only to lose steam later. Take a look at the H shares of all nine enterprises. Apart from a few isolated cases, each of the nine companies ranked first or second on the Hong Kong Joint Stock Exchange in volume or value on the first day of trading. Throughout the period before February 1994, most H shares were rising in value, the rate of increase ranging from 25 percent to 200 percent. After March 1994, H shares began heading downward. Kunji stock suffered the biggest plunge, plummeting a steep 50.43 percent. Two companies saw their H shares drop below the initial offering prices. If we compare their prices on 10 June with their best performances ever, all nine stocks lost value across the board. There were complex reasons, abnormal and normal, behind the decline, which will be analyzed below.

#### IV. Problems and Responses

1) Continue the H shares work systematically under strong leadership. Avoid the herd instinct at all costs. Another 22 enterprises are scheduled to issue shares overseas in stages this year. As reform and opening deepen this year, it is certain that even more enterprises will rush to issue H shares. A new wave of H-share issuing will soon be upon us. All parties concerned should operate in accordance with proper procedures. The phenomenon of everybody jumping on the H-share bandwagon must be prevented resolutely.

2) Speed up the training of qualified personnel. Shareholding professionals familiar with the international rules of the game are a rarity in China. Over the years state enterprises have turned out a number of "domestic" experts in the traditional management system, in financial, accounting, and bookkeeping systems, and in the assets appraisal system. To compete on the international market, however, we must train a host of shareholding experts well versed in international practices without delay. Therefore, should the departments involved provide guidance to enterprises set to issue shares overseas during the initial phase, organize specialized training courses, and invite domestic and foreign experts, as well as the leaders of enterprises which have blazed the H-stock trail, to pass on their knowledge and experiences?

3) Companies that have already issued H shares must preserve their business reputations. H shareholders will not be pushed around. Once they become skeptical about the financial state and reputation of a company, they will not hesitate for a second to dump its stock. Recently an

accounting firm in Hong Kong got suspicious about the authenticity of the financial data put out by H-share enterprises and recommended that H shareholders unload all their stock on hand. It can thus be seen that although the nine enterprises have successfully pulled off the first phase of their task, the job ahead remains arduous. The companies must operate, disclose information, and standardize their financial and accounting systems in full compliance with international norms in order to maintain their good reputations. As a matter of fact, a good business reputation manifests itself as good political and national reputations.

4) The initial offering price should not be casually altered. A case in point was Shihua. The initial offering price was listed at \$1.74 a share in its H-share prospectus. After the solicitation, the price was converted into \$1.58 based on the exchange rate. Altering share prices in so casual a manner was unprecedented on stock markets around the world. When investors feel uncertain about which way share prices are headed in the future, they lose confidence. Witness the relatively low over-subscription rate for Shihua H shares.

5) Put an end to administrative command and tighten market regulation and control. What concerns overseas investors most is excessive domestic administrative intervention, masking the true performance of an enterprise in a market economy. One example is Shihua's less-than-satisfactory performance recently when it tried to raise capital by floating H shares. People overseas do not consider Shihua an enterprise in the true economic sense of the word. To them, it is an administrative arm of the China Petrochemical Corporation. It enjoys low-cost raw materials made available on a command basis and generous foreign exchange subsidies and is protected administratively by a wall of high import tariffs. It was feared that once the market economy becomes better established (i.e., when the dual exchange rate system was abolished and China joins GATT), the administrative edge hitherto enjoyed by Shihua would disappear and the company would flounder financially. This and other perceptions overseas make investors think twice before investing in H shares. They may be highly one-sided, but we do learn something from them, which is that domestic enterprises still smack strongly of administrative organizations and that often the larger the enterprise, the heavier its administrative dependency. This may work against a state enterprise by creating resistance to its stock when it seeks to survive in a market economy overseas. Thus departments concerned should begin by dismantling the administrative command system and rely primarily on the levers of the market economy to regulate and control enterprises on a macroeconomic level. The enterprise, for its part, should learn to stand on its own two feet in a market economy, ultimately taking the bold step toward the global market.

6) Thoroughly understand the difficulties to be encountered in the future when we try to raise capital by floating stock. In affirming the achievements of the nine enterprises in floating H shares, we should also sensibly face

up to this reality, namely that the nine companies differed substantially in the way they raised capital by issuing H shares and that theirs was a very mixed performance. Moreover, each seems to be losing steam one after another. As the supply of H shares increases steadily, a buyer's market where supply outstrips demand will emerge. So we cannot be unrealistically optimistic about the prospects of even more state enterprises raising capital by issuing H shares overseas. It must be realized that as the socialist market economy takes shape, more and more economic policies based on the market economy will take effect, such as tax reform, the introduction of a unitary exchange rate system, the abolition of miscellaneous subsidies, the increasing use of the market in setting prices of capital goods, and changes in the enterprise leadership structure. All of this is a challenge to the true character of an enterprise. Both long-time and new investors overseas will be taking a long hard look at them, picking the cream of the crop. Some speculators who have been taking advantage of China's preferential policies will decide to stay clear of China's raising-capital-by-floating-stock activities. Accordingly, in the future enterprises must be clear-headed in their thinking. It is better spend more time anticipating the problems and work to attract more bona fide overseas investors with our actual achievements.

7) Handle the domestic-overseas relationship properly. Undeniably some preferential policies and terms accorded H shares have had adverse effects on A and B shares at home. For instance, the prices of A and H shares issued by the same company may differ enormously (often by hundreds of percent) and the returns on A and H shares are not uniform. Trading in B shares is clearly not as attractive as trading in H shares. Companies slight A shareholders even as they do everything to please H shareholders. All of that has dealt a blow to the A- and B-share markets and frustrated their shareholders. Enterprises which have issued H shares, for instance, have all seen their A shares plummet in value, in some cases dropping below the initial offering prices. If this practice of worshipping and having blind faith in things foreign does not stop, the stock market on the mainland and its shareholders may never be able to recover, what with more and more state enterprises set to float stock overseas. This is absolutely not alarmist talk. Same stock, same price; same stock, same interests. That is the goal we should strive for right now. When it comes to information services and returns, "domestic and foreign guests" should be treated the same way. When you distinguish between the domestic and the foreign, you end up destroying the company itself. Furthermore, B shares have become redundant. When they are given the choice of buying H shares, overseas investors naturally go for the more attractive one. Besides, the issue and trading of B shares is too circuitous, preventing investors from really getting hold of information on B-stock companies. Moreover, the international operational standard of B-stock-issuing companies is far lower than that of their H-share counterparts. Thus it only

makes sense to abolish B shares when the opportunity presents itself. Agencies in charge of securities should also take note of one other thing, namely this: Is it necessary for all profitable large and mid-sized state enterprises to float stock overseas? If the answer is yes, the stock market on the mainland would in effect be dealt a serious blow. It is imperative that the proportion of profitable large and mid-sized state enterprises allowed to issue shares overseas be properly limited. People at home and abroad, particularly the compatriots, would very much want to see the stock markets both inside and outside China booming at the same time.

8) Take effective measures to revive the H-share market. Overall the stocks of all six [as published] companies were climbing steadily before February 1994. Between March and June, the H shares of all nine companies headed downward. There are many complex reasons for this reversal, such as the impact of the decline of the international stock markets; speculation about shifts in China's political echelons; concern that Chinese enterprises would have trouble adjusting promptly to the new tax system and exchange system introduced this year; the reemergence of the chronic cyclical maladies of high inflation, triangular debt, and mounting losses; the issue of a huge national debt at home and the slump in A stocks; skepticism that macroeconomic regulation and control can be combined effectively with administrative intervention; pressure exerted by the entry of marginal H shares and the impending expansion of the H-share plan; the quarrel between China and Britain over Hong Kong; the yet-unresolved dispute between the United States and China over most-favored-nation treatment for the latter, and so on and so forth.

In short, overseas investors do not understand political and economic information about China. Since H shareholders do not know the true political and economic picture of China, they unload their stock at the faintest sign of trouble. Hence the plunge in H shares in recent times. It is vitally important that H shareholders be provided with accurate information in a timely way. Toward that end, two things must be done. On the one hand, China should join the International Federation of Accountants and International Securities Control Federation. In doing so, not only will it bring H shares one step closer to international standards and give them international protection, but it will also bring about the bilateral flow of information, particularly the rapid transmission of accurate domestic political and economic information directly to international securities organizations, thus giving such information an air of international authority. On the other hand, we should transmit information to H shareholders through specialized media, disseminating to them information on the mainland's political situation, economic trends, stock market policies, the direction in domestic enterprise reform, and major speeches by Chinese leaders. That way we can effectively prevent erroneous information from misleading H shareholders and help them expeditiously acquire a correct understanding of the political and

economic background within China. Once armed with the correct understanding, they will become more confident about investing in H shares. Specifically, we can use special-topic overseas broadcasting, satellite TV, and telephone hotline consulting. We can put out a special newspaper called "H-Share Newspaper" or start a special H-share column in one of the existing authoritative newspapers so that H shareholders can mature in a normal and healthy information environment. Provided the H shares corps is stabilized, a rally in H shares is only a matter of time.

#### Bureau Releases Data on '94 Fixed Assets

OW2302104395 Beijing XINHUA Domestic Service in Chinese 0429 GMT 22 Feb 95

[By reporter Zhang Jinsheng (1728 6930 0524)]

[FBIS Translated Text] Beijing, 22 Feb (XINHUA)—According to the latest statistical figures released by the State Statistical Bureau, China's fixed assets investment in 1994 was 1,592.6 billion yuan, up 27.8 percent from previous year, but the growth rate was down by 30.8 percent as compared with previous year. Deducting price factors, the actual work load increased 16 percent.

According to the statistics, of all the fixed assets investment, the actual paid-up investment in projects by state-owned, Sino-foreign joint-venture, and joint operation enterprises was 1,135.5 billion yuan, an increase of 34.2 percent over the previous year but a fall of 23.6 percent in growth rate; investment in infrastructure was 628.7 billion yuan, up 35.3 percent from the previous year; retooling investment was 284.2 billion yuan, an increase of 29.6 percent; real estate investment was 179.6 billion yuan, an increase of 41.3 percent; and state-owned enterprises' investment in other projects was 42.9 billion yuan, up 24.8 percent. The urban and rural collective economy's actual paid-up investment was 275.8 billion yuan, an increase of 23.6 percent, but a decrease of 30.3 percent in growth rate; urban and rural citizens' paid-up investment was 181.4 billion yuan, up 22.9 percent, an increase of 7.1 percent in the growth rate.

Sectorwise, last year's fixed assets investment showed a strong tendency of shifting toward basic industry and infrastructure equipment. The actual paid-up investment by state-owned enterprises, Sino-foreign joint ventures, and joint operation enterprises in the energy industry was 208 billion yuan, representing an increase of 39.8 percent from the previous year, and the investment ratio was increased from 20.7 percent to 21.8 percent; the actual paid-up investment in the raw material industry was 113.4 billion yuan, up 32.4 percent, representing an investment ratio of 11.9 percent, which was the same as previous year and signifying a reversal in the situation of a declining investment ratio over the past two years in investment in those two basic industries. The actual paid-up investment in the posts and telecommunications industry was 51 billion investment, marking an increase of 76.7 percent and an increase

from 4 percent to 5.3 percent in investment ratio and reaching the highest ratio in recent years.

An analysis outlines the major features in the decline of the growth rate in last year's fixed assets investment as follows: Local project investment showed a rapid decline in growth rate; new start-up projects showed marked decline; the craze for real estate investment subsided; investment focus shifted to building ordinary housing and to building housing with small profit margins; commodity housing construction in 1994 completed 160.08 billion yuan of investment, up 41.3 percent but down 83.6 percent in growth rate as compared with the previous year, of which commodity housing units grew 44.8 percent, and the ratio of commodity housing units in the commodity housing investment was 80.2 percent, a rise of 2 percent over the previous year; the growth rate in funds raised by citizens was down; funds raised by citizens increased 32.3 percent, but were down 23.1 percent in growth rate. This shows that the practice of banks' extension of illegal loans and illegal fund-raising in society has been checked. The decline in the investment growth rate in east China was markedly larger than that in central and west China.

An analysis released by a relevant authoritative department pointed out that China must come to grips with three investment-related problems which emerged last year. First, enterprises were lagging in technological transformation. Last year, state-owned enterprises and institutions completed 284.2 billion yuan of retooling investment, up 29.6 percent from the previous year, but down by 5.7 percent in growth rate as compared with infrastructure investment. The ratio between infrastructure investment and retooling investment was 100:45, the lowest level in recent years. Second, there was serious debt default in construction projects. The accumulated debt default amount was about 52.4 billion yuan, an increase of 80.7 percent over the previous year. Third, the rate of cost overruns for projects under construction was nearly 50 percent over original estimates. By the middle of last year, the rate of cost overruns for projects under construction with each project exceeding over five million yuan was 49.1 percent; of which the rate of cost overruns for infrastructure construction projects was 55.2 percent, the rate for retooling projects was 45.1 percent, and the rate for real estate development projects was 32.3 percent.

#### BOC Issues U.S.\$3.9 Billion-Worth of Overseas Bonds

OW2202065695 Beijing XINHUA in English 0557  
GMT 22 Feb 95

[FBIS Transcribed Text] Beijing, February 22 (XINHUA)—The Bank of China (BOC), has over the past ten years, issued 3.9 billion U.S. dollars-worth of overseas bonds, about 40 percent of the total issued overseas by all Chinese banks and non-banking institutions during the period, a BOC official said.

Huo Tuanjie, deputy general manager of the capital department of the BOC, China's main foreign exchange bank, said that the bank first started dealing in overseas bonds in 1984, when it issued 20 billion yen-worth of Samurai bonds in Japan.

Since then, the bank has made 23 offerings of overseas bonds on international financial markets in Asia, Europe, the United States, and other countries and regions.

According to Huo, the bonds carry maturity terms ranging from five years to 20 years.

She said that the overseas bonds have enabled the bank to raise, at relatively low cost, large amounts of foreign capital needed to support a number of key state projects.

Huo noted that the BOC, as one the most important Chinese institutions authorized to raise funds overseas, will base its near-term plans for overseas bonds issuance on the country's overall industrial policies and the expected demand for foreign capital.

#### PBOC Publishes Interest Rates for Mar

HK2302084595 Beijing XINHUA Domestic Service in Chinese 0835 GMT 9 Feb 95

[FBIS Translated Text] Beijing 9 Feb (XINHUA)—The People's Bank of China published a public notice today to announce interest rates to be effective in March for subsidizing long-term deposits to preserve their value.

The public notice says that, calculated in accordance with the State Statistical Bureau's general index of prices for retail sales and services, the interest rate in March 1995 for subsidizing long-term deposits of three years and more is 11.87 percent. All three-year, five-year, and eight-year savings deposits due in March will be paid their interest at an annual rate of 12.24 percent, 14.94 percent, and 17.64 percent, respectively, during the value-preserving period, in addition to the aforesaid subsidizing rate.

#### Postal Savings Deposits Exceed 100 Billion Yuan

OW2002131595 Beijing XINHUA in English 1247  
GMT 20 Feb 95

[FBIS Transcribed Text] Beijing, February 20 (XINHUA)—By the end of January this year, China's postal savings deposit for the first time exceeded 100 billion yuan to reach 102.5 billion yuan, constituting 4.6 percent of the country's total bank deposits.

Zhang Guanji, director of the Postal Bureau of the Ministry of Posts and Telecommunications, said that since China re-opened its postal savings business in 1986, its savings deposit has been growing at an annual average of 9.1 percent. So far 25,000 postal banks across the country have attracted 70 million depositors.

He said that postal banks at various levels have largely improved their management and services in the past few

years, and postal savings deposit is playing an increasingly important role in China's financial market.

With the computerization of the inter-bank system, the clients will be able to withdraw their money from any one of the postal banks at or above the county level.

The official said that this year's postal savings deposit is predicted to reach 130 billion yuan.

### Largest Car Maker To Buy Stake in Car Company

HK2202075395 *Beijing CHINA DAILY* in English  
22 Feb 95 p 5

[By Ren Kan: "Auto Giant Buys Lion's Share in Car Company"]

[FBIS Transcribed Text] China No 1 Automobile (Group) Corp, the country's largest car maker, will buy a 51 per cent stake in a Shanghai-listed automobile company based in Shenyang, Liaoning Province.

After buying 495.6 million State shares in Jinbei Automobile Co Ltd from the State-owned Shenyang Assets Management Co Ltd, the group will be Jinbei's largest shareholder.

The transaction is expected to be signed on Tuesday, said a report in China Securities

shares, which cost 1.15 yuan (\$0.13) each and 447 million yuan (\$67.85 million) in total, would be converted into corporate shares.

After the acquisition, there will be only 73.76 million State shares in Jinbei or 7.59 per cent of the total 971.8 million shares. Corporate shares would rise to 618 million units, accounting for 63.6 per cent of the total shares.

In China, A shares, which are only for domestic investors, are divided into State, corporate and individual shares.

The trading of Jinbei's individual shares in Shanghai Stock Exchange was suspended yesterday morning.

Analysts said the acquisition will result in a strong push to the country's plan to make its auto industry a pillar sector in the national economy.

The acquisition would allow better use of funds, avoid unnecessary competition and enlarge economy of scale.

The move will help China No 1 Automobile Corp fulfill its ambition to increase its annual production capacity to 1 million by 2003.

The group, which is based in Changchun in Jilin Province, was set up in 1956. It has an annual production capacity of 200,000 vehicles.

Jinbei, which was set up in 1988, has an annual production capacity of 70,000 vehicles.

By joining the No 1 Automobile Group, the Jinbei company can rely on the group's high technology and management to adjust its product structures according to market demands.

### Foreign Trade & Investment

#### Guangzhou, Shenzhen Copyright Violators Raided

##### Illegal Products Seized

OW2302045995 *Beijing Central Television Program One Network in Mandarin* 1411 GMT 21 Feb 95

[Announcer-read report over video; from the "Night News" program]

[FBIS Translated Text] At 1030 [0230 GMT] today, the State Administration for Industry and Commerce and State Copyright Administration joined relevant departments in Guangzhou and Shenzhen in conducting a large-scale surprise check on the computer and CD markets of these two cities. It has been learned that this operation is the largest ever taken by Chinese intellectual property rights protection departments to crack down on violations of copyrights in the high technology field. A vice president of the Software Union of the United States participated in the operation as an observer.

The operation, which focused on the Taipingyang Computer City in Guangzhou, was carefully planned. During the check on this large-scale high-tech products market, which lasted more than two hours, 47 units selling illegal products were raided, and 12,968 software diskettes and 681 CD's were seized in addition to some manufacturing tools.

During an interview with a reporter, Pan Bingzhong, deputy director of the Guangzhou City Administration for Industry and Commerce, said intellectual property rights violators will be severely dealt with according to the seriousness of the case and relevant provisions. Pan said:

[Begin Pan recording] "These pirated software copies and CD's will be confiscated, and the related operational tools such as computers and software will also be confiscated. Moreover, depending on the seriousness of the case, the violators will be fined and their businesses suspended to rectify the situation." [end recording]

Li Zhencheng, director of the Economic Inspection Department of the State Administration for Industry and Commerce, who directed operations during the raid, said in future the administration will continue to take measures to crack down on intellectual property rights violators in order to protect the interests of Chinese and foreign property rights owners. Li said:

[Begin Li recording] "This raid is the largest we have organized so far. In the future, we will continue to organize this type of operation, or have the provincial or city authorities organize such operations, to protect Chinese and foreign intellectual property rights, and protect the rights and interests of copyright owners." [end recording]

(Gowenli), vice president of the Software Union of the United States, who took part in the surprise raid as an observer, said what she saw today shows that the Chinese Government is taking actual action to crack down on intellectual property rights violators, adding that the measures taken are severe.

#### Further on Raid

HK2302073695 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1134 GMT 22 Feb 95

[FBIS Translated Text] Hong Kong, 22 Feb (ZHONGGUO TONGXUN SHE)—A large-scale campaign to protect intellectual property rights [IPR] and to crack down on illegally pirated computer software has been organized by the PRC State Administration for Industry and Commerce and State Copyright Administration. It proceeded in Guangzhou and Shenzhen simultaneously on 21 February.

Guangzhou invited U.S. experts and representatives of the World Computer Software Manufacturers and the Business Software Alliance to join in the 21 February operations. It also attracted six television stations from Beijing, Hong Kong, and Guangzhou, as well as numerous reporters.

At a computer software shop in Guangzhou's Taipingyang Computer City, the foreign experts—pointing to Windows and other software—said: They are all duplicates. At another computer shop, which had just opened two days earlier and the signboard of which had not been put up, they sold what were suspected to be pirated CD-ROMs and software. In Taipingyang Computer City, they found eight shops selling pirated computer software.

In the 21 February operations, Guangzhou inspected and punished 29 shops that sold pirated computer software, and seizing and confiscating the following goods: 5,407 floppy disks, 1,825 1.2M disks, 12 computer sets, two printers, two monitors, seven hard disks, 95 CD-ROMs, and eight chips.

The experts said: It often takes manufacturers several months, years, or even a dozen years to develop and make computer software, but to make a duplicate requires only several minutes and costs very little. The price difference between the original software and the duplicate is several fold, or even a dozen fold.

Pan Bingzhong, head of the Guangzhou Industry and Commerce Administration, said: To protect IPRs is an unshirkable duty. By selling illegal, pirated computer

software, one at least has violated the Law Against Unfair Competition, the Provisional Regulations Governing Administrative Punishments for Speculation and Profiteering, and Guangzhou City's Provisional Regulations Against the Production and Sale of Fake and Shoddy Products. Anyone found to have violated these regulations will have their products confiscated, and if his case is serious, his business will be suspended and he will be heavily punished. Violators will never be allowed to gain anything from their business.

It has been reported that Guangzhou's Rixing Electrical Appliances Mall, which was inspected the other day, had pirated more than 501,000 compact discs since last year. The mall now has had its business license withdrawn by the Guangzhou Audio-Visual Products Management Department. Its manager and legal representative have been dismissed, and the major IPR violators in the mall already have been turned over to judicial departments, and will be punished according to the law.

#### Seizure Prevents Smuggling

HK2302040795 Beijing ZHONGGUO XINWEN SHE in Chinese 1049 GMT 22 Feb 95

[By reporter Xue Donghe (5641 2639 0735): "Products Infringing Intellectual Property Rights Repeatedly Seized by Shenzhen's Kowloon Customshouse"]

[FBIS Translated Text] Shenzhen, 22 Feb (ZHONGGUO XINWEN SHE)—This year, Shenzhen's Kowloon Customshouse has repeatedly seized cargoes infringing intellectual property rights [IPR], and in a timely manner has prevented such cargoes from being smuggled out of the country.

According to the parties concerned, Shenzhen's Kowloon Customshouse has stepped up its inspection of, and crackdown down on IPR-infringing cargoes this year. For instance, Customs officers at Wenjindu seized three batches of IPR-infringing cargo in a single month. On 13 January, the Yili Electronics Company, located in the Fenggang area of Dongguan City, declared to Customs for export a total of 1,500 twin cassette players with radio receivers, and 100 auto cassette players with radio receivers, only to have them uncovered by Customs officers as counterfeit products of a famous Japanese brand. The cargo was immediately seized and detained by the customshouse. On 19 January, Customs officers at Wenjindu discovered some 3,960 counterfeit floppy discs and 2,500 counterfeit compact discs hidden among mandarin oranges.

It has been learned that since 15 September 1994, when the General Administration of Customs issued a public notice banning the import and export of IPR-infringing cargoes, Shenzhen's Kowloon Customshouse has stepped up its inspection of, and crackdown on such cargoes, and has achieved marked success ever since. This fact has fully attested to the Chinese Government's resolve and action with regard to IPR protection.

**Details on Raid**

**HK2302050695 Hong Kong AFP in English 0447 GMT  
23 Feb 95**

[FBIS Transcribed Text] Hong Kong, Feb 23 (AFP)—Authorities in southern China's Guangdong province have carried out large-scale raids on 47 illegal software retail outlets in the economic hubs of Guangzhou and Shenzhen, a US software watchdog said Thursday.

Guangdong provincial government officials swooped on the outlets Monday, along with representatives of the US anti-piracy group, Business Software Alliance (BSA), the alliance said in a statement.

The series of operations came as US and Chinese negotiators were engaged in 11th-hour negotiations in Beijing to avoid a trade war after Washington charged Beijing with massive pirating of computer software, compact discs and other copyrighted products.

Of the 47 outlets raided, 29 were located in Guangzhou and another 18 in Shenzhen at the border with Hong Kong, BSA said.

More than 700 suspected counterfeit CD-ROM discs containing thousands of software programmes, and 13,000 floppy disks believed to contain unauthorized software published by BSA members, were seized.

The raids also yielded 22 personal computers and inventories.

BSA vice president, Valerie Colbourn, said the latest raids were a result of over three months of investigations by BSA—which represents the leading software publishers including Autodesk, Lotus, Microsoft, Novell and WordPerfect.

"This is the first time that we have cooperated with the various administrative bodies in China and the first time the BSA has participated in a large-scale sweep of illegal computer dealers," Colbourn said.

She said Guangdong was believed to have the largest concentration of software piracy operations in China.

The United States has threatened more than a billion dollars in tariff increases on imported Chinese products beginning Sunday if no agreement is reached. Beijing has said it will retaliate if such action is taken.

**Police Search Plants, Confiscate Fake Soap**

**HK2302102295 Beijing RENMIN RIBAO in Chinese  
8 Feb 95 p 4**

[Report: "Departments Concerned Search and Confiscate Fake Soap of Two Plants in Guangdong Province"]

[FBIS Translated Text] In response to a crime report from the Zhongcheng Intellectual Property Rights Protection Services Company, the police of Guangdong Province recently searched two plants producing fake Hazeline soap.

One of the two plants searched was the Chaoyang City Liangying Tongshun Soap Plant and the other was the Chaoyang City Liangying Yongfeng Bath Soap Plant. In disregard of the law, these plants had produced over 400 boxes of fake Hazeline bath soap, totalling 28,800 cakes. On the afternoon of 23 January, the public security and procuratorial organs of Guangdong Province sent more than 60 policemen to search the two plants. At the Tongshun Soap Plant, they found over 60 boxes of fake Hazeline bath soap, which were packed and ready for delivery, 25 tonnes of raw materials, some Hazeline bath soap packaging paper, and four production machines. At the Yongfeng Bath Soap Plant, they found 822 boxes of fake Hazeline soap and fake soap of other famous brand names, which were packed and ready for delivery, 1.25 tonnes of raw materials, and one production machine. Huang Bitong and Zhong Zhende, the persons in charge of the plants, are still at large.

After the search, the public security and procuratorial organs destroyed the fake Hazeline packaging paper and packing cartons on the spot. They also crushed the fake bath soap, confiscated the molds, and destroyed some of the machines on the spot. The other machines were sealed and will be dealt with by a local police substation.

**State Organ Tightens Copyright Authentication**

**HK2302040895 Hong Kong ZHONGGUO TONGXUN  
SHE in Chinese 0747 GMT 22 Feb 95**

[FBIS Translated Text] Hong Kong, 22 Feb (ZHONGGUO TONGXUN SHE)—The State Copyright Administration recently issued a "Notice on Registering Contracts on Publishing Outside-the-Border Audio- Visual Products."

The notice stipulates: To publish outside-the-border audio-visual products, including audio and video recording tapes, and compact and laser discs, an audio-visual unit first should obtain authorizations by the outside-the-border copyrighted authors or makers of audio-visual products in question, and sign contracts on the authorization. After contract signing, the unit should submit it to the State Copyright Administration for registration purposes. When authorization is granted by the outside-the-border copyright holders of products, units should submit a letter of authorization. In case the authorization is granted after the copyright holder has transferred the copyright, a transfer contract should be submitted. As long as a product falls within the scope of prior authentication by outside-the-border authenticating organizations designated by the State Copyright Administration, audio-visual publishing and supply units will demand that the supplier submit a copyright certification issued by an authenticating organization.

The State Copyright Administration has appointed the Hong Kong Film Association and the International Federation of the Phonograph Industry (IFPI) as the authenticating organizations for their members.

**Customs Reports Crackdown on IPR Violations**

*OW2202134595 Beijing XINHUA in English 1331  
GMT 22 Feb 95*

[FBIS Transcribed Text] Beijing, February 22 (XINHUA)—Since the end of last year, Chinese customs offices have handled several dozen cases involving intellectual property rights violations, according to the General Administration of Customs (GAC) here today.

To strengthen protection of intellectual property rights, the GAC issued an urgent decree last December demanding that local customs offices crack down on IPR violators.

In September, the GAC had also circulated a general notice telling the various offices to take note of IPR in various customs procedures.

In the last two months, the customs offices in Guangdong province have handled 14 cases of IPR violations, involving pirated CDs, computer discs, and fake trademarks on food stuff, medicine, and clothing.

—On November 24 of last year, 400 pirated CDs were found in a container by the Heshan Customs Office.

—In December, the Jiangmen Customs Office handled three cases of exported clothing with fake brand names, including 22,000 pairs of "Levi's" jeans and 1,500 pairs of "Italy" shoes.

—On January 13, the Wenjindu Customs Office seized 100 fake "Yamaha" auto radios, and 1,500 fake "Panasonic" recorders. On January 19, the office also found 3,960 pirated computer discs and 2,500 pirated CDs in a truck;

—On the same day, the Shenzhen Customs Office confiscated 160,000 fake "Sony" computer discs. According to the counterfeiter, he printed the "Sony" trademark at the request of the foreign businessman who ordered the discs.

According to an official with the GAC, Chinese customs also discovered IPR violations while checking tourists and parcels.

Last December, a passenger was found carrying 200 pirated computer game cards at the Shantou Customs Office. Early this January, 68 pirated CDs were found in four packages mailed abroad at the same customs office.

**'Progress' in Crackdown on Copyright Piracy Viewed**

*HK2202140795 Beijing GUOJI SHANGBAO in Chinese  
16 Feb 95 p 1*

[Report by reporter Zhi Zhu (4258 2691) and correspondent Jiang Hongyi (5592 3163 5030): "China Has Made New Progress in Vigorously Wiping Out Copyright Piracy, With 350,000 Pirated Audio-Visual Products Confiscated in the Past Two Weeks"]

[FBIS Translated Text] Since the beginning of 1995, Chinese law-enforcement personnel have been taking an active role in weeding out the cultural market and cracking down on pirated audio and visual products, thus constituting a nationwide crackdown against piracy.

It has been learned that, since the State Copyright Administration, the PRC Press and Publications Administration, the Ministry of Culture, the State Administration of Industry and Commerce, and the PRC General Administration of Customs issued the "Joint Circular on Focusing Efforts on the Crackdown Against Activities of Pirating Compact Discs [CDs] and Laser Discs before the Spring Festival," in the fortnight before the spring festival, approximately 357,400 pirated audio and visual products were uncovered and confiscated, among which there were approximately 75,000 CDs.

In the wake of the issuance of the "Joint Circular," the related departments of various provinces, autonomous regions, municipalities, and cities with independent listings in state plans throughout China immediately took action to implement the crackdown. On the very day that Beijing received the circular, the municipal authorities immediately organized forces to investigate the cultural market and Liaoning and Henan attached importance to weeding out their capital cities. Furthermore, in the investigations undertaken in various cities and prefectures, a vice mayor was designated to take charge of organization and leadership in each city; as a result, the crackdown on piracy was universally strengthened.

During that period, the State Council sent two intellectual property rights protection investigation teams to Guangdong and Jiangsu in order to conduct law-enforcement investigations at some CD production lines. The investigation teams also inspected some units selling CDs and discovered that Guangdong's Zhuhai "Longyi" Audio and Visual Company was engaged in wholesale and marketing activities involving pirated CDs. The investigation team urged the relevant departments in Zhuhai to mete out the administrative penalty of suspending the company's operating license. The investigation team planned to handle the cases of several other units committing copyright infringements in accordance with the law.

It was learned that progress has also been made by the Supreme People's Procuratorate investigation team in the "28 September" case of the Guangdong Rixing Shopping Mall marketing pirated audio and visual products.

**Press, Publications Administration Combats Pirating**

*HK2302004895 Beijing ZHONGGUO XINWEN SHE  
in English 0954 GMT 22 Feb 95*

[FBIS Transcribed Text] Beijing, February 22 (CNS)—Since April 1994, the compact disc and laser disc production industry has come under the control of the Press and Publications Administration (PAA).

In December 1994, the PAA initiated a four-digit code identification system, developed by the International Federation of Phonography Industries (IFPI). By reading the code, the manufacturers of the discs would be revealed and it was hoped that this would help combat pirate activities.

Since mid-1994, various local government bureaus in conjunction with copyright and intellectual property departments, have launched operations to search retail outlets selling pirate compact discs. The provinces and regions where pirate activities were most rampant were Guangdong, Beijing, Shanghai, Jiangsu, Henan, Guangxi, Fujian, Liaoning, and Hunan. According to incomplete statistics from some 28 provinces and cities, various local governments seized 1.81 million pirate compact discs, 35,000 laser discs, 1.43 million cassette tapes, and 1.38 million video tapes during the year.

Last April, seven government bureaus, headed by the PAA and the Ministry of Foreign Trade and Economic Cooperation (Moftec), had jointly announced to exercise sterner measures to combat illegal reproduction of foreign audio and visual products. The PAA also decided not to license any more audio and visual production companies for a certain period, in order to prevent companies from involvement in pirate activities.

Recently, four companies that were accused of participating in illegal reproduction activities, namely Baodie Laser and Electronics Company in Suzhou, Huadie Laser company in Hangzhou, Gold Sound Electronics Company in Foshan and South Sea Pearl Audio Visual Company have, after investigation, been closed and penalized.

#### **Li Guixian Attends Foreign-Funds Utilization Class**

*OW2202114595 Beijing XINHUA Domestic Service in Chinese 1308 GMT 17 Feb 95*

[By reporter Cong Yaping (0654 0068 1627)]

[FBIS Translated Text] Beijing, 17 Feb (XINHUA)—The "foreign-funds utilization" study class, which was jointly sponsored by the State Administration Institute and the Ministry of Foreign Trade and Economic Cooperation for provincial-level leading cadres opened on 17 February. This is the first study class for senior cadres opened by the State Administration Institution since its founding last year.

Li Guixian, state councillor and president of the State Administration Institute, spoke at the opening ceremony. He said China is promoting a civil service system. The reason for founding the State Administration Institute is that while China is establishing a socialist market economic system it urgently needs to retrain public servants and to raise middle and high-level public servants' administrative management quality. The current "foreign-funds utilization" study class is the first high-level study class held by the institute since its founding.

and participants in this class are all provincial-level leading cadres. At present, many provinces are aggressively trying to attract foreign funds. There is much to learn and discuss about the problems of utilizing the international capital market and the funds market. It is particularly necessary for leading cadres to spend time studying those issues. We need to study and know well the guidelines on the introduction of foreign funds and the debt repayment rate level. Enterprises should also pay attention to laws on foreign-funds utilization, to international practices, and to risk factors.

Some 30 leading cadres from 14 provinces, autonomous regions, and municipalities attended the first study class held by the State Administration Institute. Comrades in charge of relevant ministries and commissions under the State Council will discuss with study class participants on the issues of international investment, of China's utilization of foreign funds, the conditions of international finance and the flow of international capital. Participants also had in-depth discussions about the introduction of foreign funds in their provinces.

#### **Shanghai Mayor on Utilizing Foreign Resources**

*HK2302110695 Beijing XINHUA Hong Kong Service in Chinese 1559 GMT 17 Feb 95*

[Dispatch from Shanghai by reporters Chen Maodi (7115 3029 1717) and Luo Kangxiang (5012 1660 7160): "Shanghai Mayor Huang Ju Calls For Utilizing More Foreign Resources and Markets"]

[FBIS Translated Text] Shanghai, 17 Feb (XINHUA)—When delivering a report at the Third Meeting of the 10th Shanghai Municipal People's Congress Standing Committee today, Shanghai Mayor Huang Ju said: In order to develop an export-oriented economy, we should gradually make redoubled efforts to create an export-oriented foreign resources and markets utilization circle and broaden the scope of Shanghai's interactions with the outside world.

Speaking of arrangements aimed at expanding the municipality's opening up to the outside world in 1995, Huang Ju called for devoting more energy to rationally guiding foreign investment; inviting more foreign investment in infrastructure facilities, including communications, telecommunication, public utilities, municipal works, and old city renovation projects; supporting joint venture projects and cooperation between the municipality's electronic information equipment industry and other pillar industries on one side and well-known overseas transnational corporations on the other; opening up more avenues for utilizing foreign capital; inviting more foreign funds for the construction of a number of selected commodity apartment buildings earmarked for domestic sales; and continually exploring new ways of employing the BOT [build-operate-transfer; previous acronym published in English] method to speed up the development of the energy industry and other basic industries as well as municipal works construction.

Commenting on deepening the municipality's foreign trade structural reform, Huang Ju said: We should grant foreign trade power to industrial and commercial enterprises which have met the prescribed requirements and energetically support large and medium enterprises in their effort to enter the international market. Huang Ju also called for giving full scope to the roles played by the UN Trade Network's Shanghai Center, gradually popularizing paperless trading practices, lowering trade transaction costs, and strengthening Shanghai's position as a communications hub.

**Railways Ministry Seeks Foreign Investment**  
HK2302115195 Beijing CHINA DAILY in English  
23 Feb 95 p 1

[By Yng Yingshi: "Railways Attract Foreign Funding"]

[FBIS Transcribed Text] The government has vowed to draw more foreign investment into renovating the stressed railway system, which acts as a "bottleneck" hampering China's economic development.

Sources from the Ministry of Railways revealed that more than \$4.5 billion in foreign funding is expected to be spent on railway projects in 1995.

This includes about \$500 million of new loans from the World Bank, the Japanese Government, and Australia. These loans will be earmarked for projects including the electrification of Wuhan-Guangzhou section of the Beijing-Guangzhou Railway, a tunnel through the Qinling Mountains for the Xian-Ankang Railway and the digital signal system for the double-track Lanzhou-Urumqi Railway.

In the coming years, the ministry will draw upon foreign capital and technology for updating telecommunications equipment, railway electrification, transportation information systems, tunnel building machines, and other railway construction materials.

A regulation on railway construction and operation with foreign investment is being drafted by the ministry and will soon be submitted to the State Council for approval, said Mu Xueming, an official with the Foreign Investment and Technology Import Office of the Ministry of Railways.

Foreign capital and technology have played an important role in China's railway construction. They have helped to raise the handling capacity of railways and promoted the upgrading of railway technology.

From 1980 to the end of last year, the Ministry of Railways has successfully drawn in some \$4 billion in the construction and upgrading of 20 railway projects.

The loans included more than 400 billion Japanese yen (\$2.1 billion) paid in three installments. These were used on nine projects including the Beijing-Qinhuangdao, Zhengzhou-Baoji, Baoji-Zhongwei, and Nanning-Kunming rail lines.

A fourth Japanese loan will be used on the construction of two new lines linking Guiyang with Loudi and Xian with Ankang.

Over the past decade, six loans totalling \$1.63 billion were acquired from the World Bank to finance ten railway projects, including the Datong-Taiyuan, Zhengzhou-Wuchang, Chongqing-Guiyang, Beijing-Zhengzhou, and Chengdu-Kunming rail lines, as well as the upgrading of other rail facilities.

**Ministry Official on Expanding Overseas Labor**  
OW2202143995 Beijing XINHUA in English 1407  
GMT 22 Feb 95

[FBIS Transcribed Text] Beijing, February 22 (XINHUA)—China will expand its overseas labor service this year, according to a high-ranking official with the Chinese Ministry of Foreign Trade and Economic Cooperation.

In an interview with XINHUA here today, the official said that to ensure completion the ministry will strengthen its administration of the service.

China will also speed up the development of its legal system to guarantee better service to foreign partners, he said, adding that he believes that the overseas labor service is an important channel for international trade communication, and is beneficial to both parties.

The overseas labor service of China has helped the economic development of its foreign partners and has also promoted China's foreign economic and trade cooperation, he noted.

According to him, since China started its overseas labor service in 1979, some 450 businesses have been granted the right to provide such services. They have signed contracts on 62,748 projects in more than 170 countries, amounting to 40.38 billion U.S. dollars, with finished business amounting to 22.57 billion U.S. dollars already.

China signed 17,491 overseas labor contracts last year, involving 7.9 billion U.S. dollars, up 17 percent from the preceding year. Its business volume reached 5.97 billion U.S. dollars, an increase of 31 percent over 1993.

To meet the growing demand for overseas labor, the official said, China will quicken the construction of its legal system and publish a series of regulations, administrative methods, and policies to promote the healthy development of the service.

China is also perfecting the training of personnel involved in overseas labor and setting up standardized training centres in an effort to improve their quality.

The official pointed out that China will make a serious study of trends in the international labor market, constantly expanding its range of service.

China will also pay attention to the development of its overall contract work, in an attempt to provide complete

services involving consultation, survey work, design, construction, installation, and technical support, the official said, adding that China will make greater efforts to improve project quality and its overseas labor service level.

**Aetna Official Cited on Interest in China Markets**  
*OW2302100595 Beijing XINHUA in English 0927  
 GMT 23 Feb 95*

[FBIS Transcribed Text] Beijing, February 23 (XINHUA)—A high-ranking executive with Aetna International of the United States spoke recently about his understanding of the gradual opening of China's financial and insurance markets.

To ensure the healthy development of its booming financial and insurance markets, China should not act too hastily by allowing all foreign insurance companies to crowd into the country all at once, said Douglas Henck, senior vice-president of the Asia Pacific Operation of Aetna International, a subsidiary of the Aetna Life and Casualty Company.

If that were to happen, he explained, the growing Chinese insurance market could be adversely affected. But, he went on to say, he is convinced that China will open its insurance market completely in the near future.

His company will enhance its cooperation with China in order to enter the attractive China market whenever it becomes possible, he said, adding that the company is preparing to establish another two offices in Guangzhou and Shenzhen this year.

More than 60 foreign insurers have set up offices in China, but only two of them—the American International Group and Japan's Tokyo Marine—have received licenses to conduct insurance business directly in the China.

Henck said, during a recent interview with XINHUA, that the company had developed a long-term plan for business in China, and when approval for doing business here is received, the plan will be put into action at once.

Henck came to Beijing to attend the inaugural showing of a new television series titled "Wall Street: Financial Services in America," which is sponsored by the company and produced by Beijing Television.

The eight-part series provides an analysis of different areas of the financial world, such as buying stocks and shares, investment, and insurance.

Sponsoring the series is one part of Aetna's development plan for China, said Henck, adding that the series would introduce financial and insurance knowledge to the Chinese people in an effort to help China establish financial and insurance markets in a smooth fashion.

Henck noted that his company has helped China train high-level finance and insurance experts by providing

exchanges and training opportunities to the People's Insurance Company of China (PICC), the Pacific Insurance Company of China, the Bank of China, and Beijing University after establishing offices in Shanghai and Beijing in 1993.

The Company also provided awards in grants and fellowship to Zhongshan University in Guangzhou and Beijing University.

In addition, Aetna and the Bank of China set up the China Dynamic Investment Fund last year, to invest from 50 to 60 million U.S. dollars in constructing airports and shopping centers and to promote China's economic development. It says that it is also very interested in putting investment in northeast China.

With assets of 100 billion U.S. dollars, Aetna is one of the largest publicly-held insurance and financial service companies in the United States. It is the 14th largest U.S. company, and entered the Asian market in 1984.

**Microsoft To Conduct Large Training Program**  
*OW2102123695 Beijing XINHUA in English 1224  
 GMT 21 Feb 95*

[FBIS Transcribed Text] Beijing, February 21 (XINHUA)—Microsoft Corporation, the world's leading software producer, is planning to inject one million U.S. dollars in a large technical training program in China, hoping to further expand its presence in the ever brisk Chinese market.

Four of its training centers set up in China will carry out the Microsoft Certified Professional (MCP) training and examinations in collaboration with the Ministry of Electronics Industry, the State Education Commission and a number of key universities of the country.

Charles Stevens, Vice President of Microsoft, Far East Region, announced here today that the one-million-U.S. dollars project is expected to bring about 2,500 qualified students in 12 months.

The trainees will study the new technology in both China and the United States.

These four Microsoft Authorized Technical Education Centers have been established at the Institute of Software of the Chinese Academy of Sciences and Qinghua University in Beijing, Jiaotong University in Shanghai, and Guangzhou University in Guangzhou, said Stevens.

Stevens said that after passing the initial screening examinations and concluding the courses, a student may take the MCP examinations without payment to become a "Microsoft Certified Professional," which is recognized world-wide as a certification program for advanced software technical personnel.

**Tianjin Upgrades Marine Development Zone**  
*SK2202012695 Tianjin TIANJIN RIBAO in Chinese  
 6 Feb 95 p 1*

[FBIS Translated Text] With the approval of the State Science and Technology Commission, the Tanggu

Marine High Tech Development Zone was officially included in the Tianjin High Tech Industrial Park recently and became an important part of the industrial park as well as a state-level development zone.

The Tanggu Marine High Tech Development Zone was established in January 1993 with the approval of the municipal government. Since then, it has become an important window of the Tianjin High Tech Industrial Park located in the seaside new area and has attracted a large number of domestic and foreign businessmen to come for visiting or investment purposes.

In the past two years, after completing requisition of land and planning, the industrial park set aside over 20,000 square meters of land and approved the establishment of five enterprises there and also signed a contract with a large U.S. corporation for joint development of 840,000 square meters of land, thus turning the industrial park a hot spot of foreign investment.

In view of the exceptionally advantageous investment climate and preferential policies of the Tanggu Marine High Tech Development zone, especially the fact that it is currently China's only high tech development zone with marine characteristics, the State Science and Technology Commission, the Tianjin Municipal Government, and relevant departments decided to upgrade this development zone to a state-level high tech development zone after repeated inspection and appraisals.

### Agriculture

#### Jiang Chunyun Addresses Afforestation Meeting OW2302050495 Beijing XINHUA Domestic Service in Chinese 1102 GMT 21 Feb 95

[By reporter Su Huiyi (5685 2585 1807)]

[FBIS Translated Excerpt] Beijing, 21 Feb (XINHUA)—A meeting to commend units and activists having distinguished themselves in greening and beautifying the capital opened ceremoniously at the Great Hall of the People today. Commended at the meeting were 1,073 activists, 138 red-flag units, and 980 garden-type and vertical greening [chui shi lu hua 0987 4160 4845 0553] units. Four units having done a poor greening job were criticized by name at the meeting. [passage omitted]

Addressing the meeting, Jiang Chunyun, member of the CPC Central Committee Political Bureau and Secretariat, underscored the need for everybody in the country to share tree-planting and greening responsibilities. [passage omitted]

Jiang Chunyun stressed: We must earnestly strengthen our leadership and tighten afforestation management. Leadership is the key to the success or failure of afforestation. Party committees and government at all levels must incorporate afforestation with their economic and social development projects and make overall plans accordingly. Afforestation projects should be closely

associated with efforts of promoting economic growth and improving the people's living standards and the ecology. To obtain the best ecological, social, and economic results, the relationship among the development, preservation, and use of resources in wooded areas and pastures must be handled properly. [passage omitted]

Attending the meeting were Chen Xitong, member of the CPC Central Committee Political Bureau and secretary of the Beijing Municipal Party Committee; Buhe, vice chairman of the National People's Congress Standing Committee; Luo Gan, state councillor and State Council secretary general; Yang Rudai, vice chairman of the Chinese People's Political Consultative Conference National Committee; Fu Quanyou, member of the Central Military Commission; and leaders of relevant departments, including Xu Youfang, Liu Jiang, Hou Jie, Li Qiyan, Duan Qiang, and others.

#### Cultivated Land Losses Cause Concern; Remedies Urged

##### Farmland Decreases '94

HK2202151195 Beijing RENMIN RIBAO in Chinese  
9 Feb 95 p 2

[Report published by ZHONGGUO TUDI BAO (CHINA LAND NEWS) on 8 February: "Cultivated Land Last Year Reduced by Close to 6 Million Mu"]

[FBIS Translated Text] ZHONGGUO TUDI BAO [CHINA LAND NEWS] reported on 8 February: According to consolidated figures compiled by the State Land Administration Bureau, as of 24 January, the cultivated land area of 30 provinces, cities, and autonomous regions in 1994 had decreased by 10.71 million mu, for a net reduction of 5.969 million mu. The reduction was about the same as 1992, which had been the largest reduction in the last five years.

Figures show that the reduction in 1994 exceeded the 9.378 million mu in 1993 by 1.339 million mu, an increase of 14 percent. There was a 4.748 million mu increase in cultivated land in 1994, but it was far from enough to offset the decrease. The resulting "deficit" was high.

Three factors contributed to the drastic reduction in cultivated land in 1994: One, construction projects (by state, collectives, and individuals) took up 2.068 million mu, 20 percent of the total cultivated area. Of this amount, the state accounted for 1.38 million mu, slightly up from the 1.35 million mu in 1993; collectives 499,000 mu, the same as 1993; and construction of private homes in rural areas 180,000 mu, slightly more than 1993. Two, rural [nong cun 6593 2625] structural adjustments took up another 6.798 million mu of cultivated land. This category accounted for 63.4 percent—up seven percent from 1993—of the total area of reduced cultivated land, making it the largest single factor behind the reduction in cultivated land. Agricultural [nong yie 6593 2814] [as

[published] structural adjustments have continued to occupy large tracts of cultivated land, and this occupation looks set to increase. Three, natural disasters last year destroyed 1.85 million mu—17.26 percent—of the total reduction in cultivated land, which was 840,000 mu more than the 1.01 million mu reduction in 1993, an increase of 83 percent.

Statistics show that the amount of cultivated land decreased more in Inner Mongolia, Shaanxi, and Hebei, which together accounted for 40 percent of the total reduction nationwide. Next in order were Jiangsu, Guangdong, Sichuan, Shandong, and Yunnan, which accounted for 22 percent. Approximately 30 percent—4,748 million mu—of the total increase in cultivated land in 1994 occurred mainly in Inner Mongolia, Yunnan, Xinjiang, and Hebei.

When providing the above figures, the land tenure official of the State Land Administration Bureau pointed out that, last year, the land administrative departments worked with other departments to strengthen regulation and control over land supply, with the result that land for state construction projects was basically brought under control. But construction projects by agricultural collectives and house building by individual peasants have shown signs of expansion, and the scale of various processing zones has continuously expanded. What merits attention is that the primary cause of the reduction in cultivated land is agricultural structural adjustments. In particular, in border provinces and the western region, where economic development is relatively slow, a trend of blind development at the expense of cultivated land, forests, and grazing land has been identified. The land tenure department official also pointed out that every year the destruction of land by natural disasters has been an important factor behind the reduction in cultivated land. Because the development of agricultural infrastructure has slowed down over the past few years, there has been a noticeable decline in the capability of cultivated land to resist natural disasters, resulting in increasing destruction of land by natural disasters. The area of land destroyed by floods in Hebei alone was responsible for 40 percent of the national total for land destroyed by natural disasters.

#### Commentary on Protecting Farmland

HK2202151295 Beijing RENMIN RIBAO in Chinese  
9 Feb 95 p 2

[“Short commentary” from ZHONGGUO TUDI BAO (CHINA LAND NEWS); date not given: “Protect Our Lifeline”]

[FBIS Translated Text] Genuinely protecting our farmland is a key fundamental national policy. In June 1993, when General Secretary Jiang Zemin was passing through Zoumadi, Huian County on a tour of Fujian, he learned that the ten thousand hectares of farmland along the Fujian-Xiamen Highway had been turned into factories and development zones. When he saw the greenery

of ten thousand mu of protected farmland in Zoumadi, he sighed: “Protecting farmland is protecting our life-line.” This observation is concise and profound; it effectively sums up the most important significance of farmland protection and points out the guarantee that farmland provides for the survival and development of the entire people. There is no need to explain how important life is, and the importance of farmland is made clear when it is described as our people’s “lifeline.” Today, confronted with the grim situation of drastic cuts to existing farmland, we need very much to remind ourselves of this motto, if only to instill a sense of crisis among our people about farmland and transform that sense of crisis into practical action by billions of people to protect the farmland.

“Food is the foremost concern of the people,” farmland is our rice bowl. It is true that we need to build and develop, but we cannot do it on an empty stomach. If agriculture is the foundation of the economy, then farmland is the foundation of agriculture. Only by preserving an adequate quantity of farmland can we guarantee an adequate quantity of grains, vegetables, and food supplies. The problem of feeding 1.2 billion people involves social stability and development, is always the top strategic problem, and can never be ignored. Viewing farmland as our people’s “lifeline” is a completely scientific assessment. We absolutely must not see it as an exaggeration.

This February, China’s population reached 1.2 billion, while in 1994 our farmland was cut by close to 6 million mu. These two figures and a sharp contradiction in the man-land ratio have sounded the alarm. Farmland is our “lifeline.” To permit our people to survive and develop, we must act promptly to “protect our lifeline!”

#### Guangdong Demands Farmland Protection

HK2302040395 Beijing RENMIN RIBAO in Chinese  
12 Feb 95 p 1

[Report by reporter Liu Xiao (0491 7197): “Guangdong Demands That 50 Million Mu of Land for Growing Grain Be Ensured”]

[FBIS Translated Text] Guangzhou 11 Feb (RENMIN RIBAO)—Guangdong is to continue firmly grasping grain production. The provincial party committee and government demand that 50 million mu of land for growing grain be ensured, with a gross output of 17.5 billion kg, and a gradual increase each year on that basis.

In 1994, Guangdong enjoyed a bumper harvest in grain production despite serious natural disasters rarely seen in history, thus changing the situation in which the grain-growing area had shrunk for three consecutive years, with output on a downward slide. Faced with a good result, the provincial party committee and government have maintained sobriety. The first conference convened after the New Year was precisely the provincial conference on agriculture and rural economic work, with its focus on summarizing and making arrangements

for grain production, while requiring elevation in three aspects: raising output of single crop, increasing gross output, and elevating self-supply rate, with the kernel being the establishment of the grain-growing area.

Last year, Guangdong's area sown to grain was 49.603 million mu, up by 1.2 million mu from the previous year. This year's target of 50 million mu means an increase of 400,000 mu on the basis of 1994. Such being the case, Guangdong is ready to make arrangements for its land in a more scientific and rational way. Arrangements were made first for the grain-growing area; then for cash crops, including sugar cane and oil crops; and finally for building. Control over general volume of land for construction is to be implemented, with attention paid to practicing economy.

To protect existing farmland and to gradually expand the area of farmland—aside from strictly abiding by the plan in examining and approving land use—Guangdong is to adopt effective measures to resolve the issue of farmland lying idle, such as sending investigation teams down to the grass roots to investigate land lying idle and to help eliminate such practices, while doing a good job of restoring idle plots to farming. Several positive and negative typical examples will be grasped and circulated across the province through the media. Regarding those cadres who are responsible for land lying idle, their cases must be dealt with gravely. At the same time, funds will be put in appropriately to do a good job in exploiting land reserve resources, such as land on slope having an angle of 25 degrees or less, and coastal beaches.

#### Editorial Note on Ensuring Farmland

HK2302040595 Beijing RENMIN RIBAO in Chinese  
12 Feb 95 p 1

[“Editor's Note”: “On Ensuring Grain, Cotton Growing Area”]

[FBIS Translated Text] In recent years, China's grain growth rate has been slow, and cotton output has not increased much either. An important cause accounting for this is precisely a shrinking in the area of land planted to grain and cotton. This year, restoring the grain- and cotton-growing area must be grasped as a focus in increasing effective supplies. This is an economic, as well as a political task.

To establish the grain- and cotton-growing area, various localities should give play to all their own advantages. The mid-western region must exert efforts to raise the multiple crop index; the southwestern region should utilize its advantages in light and heat resources, and should expand the area planted to late fall crops; the eastern region, especially the coastal economic developed region, should do a good job of grasping rice crops, especially the establishment of the early rice crop-growing area; the Huang He-Huai He and the Chang Jiang-Huai He regions should develop three-dimensional planting and intercropping on an expanded area.

This year's spring farming is about to begin, and the establishment of the grain- and cotton-growing area is now facing governments and agricultural leading departments at various levels. Various places have accumulated much experience in establishing grain- and cotton-growing areas, and it is hoped that they will strengthen the magnitude of their work so as to grasp it firmly, substantially, and with results.

#### Commentator Article: Agriculture 'Top Priority'

OW2202155495 Beijing XINHUA Domestic Service in Chinese 2152 GMT 18 Feb 95

[XINHUA special commentator's article: “Try in Every Possible Way To Ensure a Good Agricultural Harvest This Year”]

[FBIS Translated Text] Beijing, 19 Feb (XINHUA)—The CPC Central Committee and State Council have emphasized again and again that in doing economic work, it is necessary to give top priority to agriculture, to increase agricultural inputs, and try in every possible way to ensure a good agricultural harvest this year. This is also the highest priority of the year's economic work.

In spite of natural disasters, China has made noticeable progress in agriculture and the rural economy in the past year. The total grain output, at 446.6 billion kg, was one of the highest on record. Cotton production registered a recovery and the total output stood at 85 million dan. Vegetable and meat production registered comprehensive growth, village and township enterprises grew in an all-round way, and rural income increased by a large margin. Development of the rural economy supported the rapid growth of the national economy. In the course of establishing a socialist market economic system and fast economic growth, agriculture—the foundation of the national economy—remains weak and lagging; structural and regional shortages of major agricultural and sideline products remain quite serious. These problems have aroused the attention the whole party, the whole nation, and society at large.

It is of great significance to reap a good harvest this year; a good harvest is essential for safeguarding the overall interest of reform, development, and stability and for curbing inflation. The CPC Central Committee and State Council have made price stability and the curbing of inflation the key tasks in properly handling of the relations between reform, development, and stability. Reaping a good harvest in agriculture, increasing the supply of foods and other essential goods will go a long way toward curbing price rises, thus alleviating the pressure of inflation. A good agricultural harvest is essential for ensuring the sustained, rapid, and healthy growth [chi xu kuai su jian kang fa zhan 2170 4958 1816 6643 0256 1660 4099 1455] of the national economy. Imbalances in recent years in the primary and secondary sectors of the economy have yet to be corrected in a fundamental way; in some localities, the situation has become even worse. If we allow industry to grow at a

high rate year after year while agriculture plods along at a snail's pace, it will severely hamper the healthy operation of the national economy. A good agricultural harvest is also needed to meet the growing consumption of agricultural and sideline products. People not only demand ample supply but also better quality. Good agriculture is also essential for the achievement of the grand goal of a comfortably well-off life. About 70 percent of the labor in rural areas is engaged in agriculture, and 50 percent of rural income is derived from agriculture. Therefore, a good harvest is a realistic way for peasants to increase income.

In agricultural production and rural work this year, we should emphasize the production of grain, cotton, and edible oil, continue to do a good job in the "vegetable basket" project, develop a diversified rural economy, and achieve the two major goals of increasing the supply of essential goods and farming income. This is an economic task and a political one as well. Localities and departments must give prominence to what is important and see to it that the various measures adopted for reaping a good harvest this year are implemented. It is essential to take effective measures to implement the acreage for grain and cotton to ensure that the area planted with grain will not be under 1.65 billion mu and that of cotton not under 90 million mu. It is necessary to pay close attention to the production and supply of agricultural capital goods, chemical fertilizer in particular. No efforts should be spared in promoting technical advances, tackling key problems in scientific research, and in utilizing in production of scientific and technological advances. To develop a highly efficient type of farming that provides greater and better yields, we must, by and large, rely on scientific and technological advances. We must devote major efforts to construction of farmland water facilities, improve production conditions, intensify reform in rural areas, and mobilize and protect the farmers' initiative.

Now that the principles, tasks, policy, and measures for reaping a good harvest this year and bringing about all-round economic development in the countryside have been explicitly laid down, we must spare no efforts and try in every possible way to implement them. So long as localities and departments persist in giving agriculture top priority, exercise effective leadership over agriculture and rural economic work, earnestly implement the various policies announced by the central authorities, fully mobilize the enthusiasm of the broad masses of farmers, a good harvest this year is entirely possible. We should have confidence in it.

#### **'Short Commentary' on Agrotechnology Dissemination**

*OW2302053395 Beijing XINHUA Domestic Service in Chinese 0959 GMT 21 Feb 95*

[("Short commentary" by reporters Pu Liye (5543 4539 2814) and Liu Zhijie (0491 1807 2638): "More Attention Should Be Paid To the Problem of 'Dislocation' in the Dissemination of Agricultural Technology"]

[FBIS Translated Text] Beijing, 21 Feb (XINHUA)—It has been four to five years since the state proclaimed the strategy of developing agriculture through application of scientific and technological advances; its implementation, however, still leaves something to be desired. In China today technical advances account only for 35 percent of the increase in agricultural productivity while in some developed nations they account for as much as 60 percent. A close examination will reveal numerous factors that have hampered the efforts to disseminate agricultural technology; a principal one is the shortage of personnel.

It has been learned that in recent years some localities have not paid enough attention to agriculture; their failure to provide appropriate "solid and concrete" support for dissemination of agricultural technology has thrown dissemination efforts into a dilemma. Some grass-roots agricultural technology centers are underfunded and lack expertise in dissemination know-how. For many agrotechnical personnel, bicycles are their only means of transportation; when they have to make a long trip, they carry tickets in their pockets for days, unable to have them reimbursed. In some localities, agricultural technology centers have been dissolved and personnel scattered. Ministry of Agriculture statistics indicate that the number of agricultural personnel has decreased drastically in recent years: Only 750,000 of the 1.5 million grass-roots agrotechnical personnel remain in their posts. Personnel instability and a less-than-perfect organizational structure have directly hampered the dissemination and application of agrotechnical advances. Data shows that China's current rate of utilization of agrotechnical advances is around only 30 percent, and most of the new scientific findings and technological achievements remain at laboratories or experimental farms. This is, without doubt, a huge waste.

Personnel for disseminating agricultural technology work in the field year round; their work is arduous and responsibilities heavy. Without their hard work, a great deal of scientific and technological advances will not be delivered to the peasants and be quickly turned into productive forces. For this reason, if we are to rejuvenate agriculture through application of scientific and technological advances, we must solve this problem of "dislocation" in the dissemination of agricultural technology. Localities and government at all levels must conscientiously implement the "Agriculture Law" and the "Agricultural Technology Popularization Law," improve the material benefits for agrotechnical personnel, provide them with the conditions needed for their work and education, heed their opinions and suggestions, and fully utilize their enthusiasm and dedication to agriculture. Jiangsu Province recently promulgated a local statute for implementing the "Agricultural Technology Popularization Law," which ensures, by means of law, that input in the popularization of agricultural technology will increase yearly. Other areas may find something to draw on from Jiangsu's approach. In disseminating agricultural technology, the top priority is to stabilize the ranks of personnel, and consolidate and improve the network of agricultural technology centers at the prefectural, county, township, and village levels.

\*Article Views Causes, Cures of Pork Shortage

95CE0190A Beijing JINGJI RIBAO in Chinese

26 Nov 94 p 1

[Article by staff reporter Xu Han (1776 3211): "How Can Meat Prices Be Controlled?"]

[FBIS Translated Text] The constant rise in the price of pork has become a hot topic among people.

This topic has not cooled down since the hot season in August. At that time, the price of pork skyrocketed within a few short days, with the price of pork butt going from 12.8 yuan per kg to 14, 15, and 16, until it hit 17 yuan per kg. Meanwhile, retail pork prices nationwide also showed this rapid rising trend. The wholesale purchase prices for live pigs rose continuously from the last half of last year, and beginning in July and August of this year, there was an even stronger tendency for prices to rise. The purchase price of live pigs in pork producing areas rose from 4.4 to 5 yuan per kg last year to its current 6 to 8 yuan. In September, the live pig wholesale purchase price reached 7 to 8 yuan in Anhui. In live-pig producing provinces such as Hunan and Sichuan, the live pig wholesale purchase price increased more than 30 percent over last year on average. The pork distribution price has risen from 6,200 yuan per ton at the beginning of the year to the current 10,500 to 11,000 yuan per ton, which is about an 80 percent increase over the same period last year.

Why do pork prices continue to climb? During September, the Ministry of Internal Trade conducted an investigation into data on live-pig producing and marketing in such provinces and municipalities as Sichuan, Hunan, Shanghai, Jiangsu, Shanxi and Hebei. Investigation results showed that at present, China's live-pig production faces some serious problems, including decreased production, decreased storage, rising prices, a decreasing amount of livestock on hand, etc.

In China's 10 principal live-pig producing provinces, at the end of February this year, the number of live pigs on hand had decreased by 4.6 percent from the same term last year, by 5 percent by the end of May, and by 7 percent by the end of August, the rate of decrease getting steadily larger. In Sichuan, the chief pig-producing province, there was a 7.2 percent decrease in the number of pigs on hand at the end of August; in Zhejiang, the decrease was 17.1 percent, with a 12.7 percent decrease in Liaoning, 10 percent in Jiangsu and Shandong, and 9 percent in Hebei. Looking at the mix, the numbers of boars, sows, piglets, and fat pigs on hand also declined at the same rate.

What is worthy of our attention is that since live-pig producing and marketing prices were opened up, the volume of live-pig operations in state-owned food enterprises has been falling steadily. During January to August of this year, in the Ministry of Internal Trade's system of commercial enterprises live-pig purchases, marketing and storage decreased in volume by 34.7, 41.7, and 32.6 percent respectively compared to the same period last year. At

present, food enterprise pork production operations occupy less than 20 percent of the market nationally.

There are many reasons for the appearance of the above situation in live-pig producing and marketing; however, rising grain prices and feed prices push up the cost of raising pigs, and that is the fundamental reason for pushing pork prices up directly. Take Beijing as an example: In the first quarter of this year, when the government proposed price restrictions on the purchase price of live pigs, the live-pig wholesale purchase was in general maintained at around 4.8 to 5.2 yuan per kg, while the cost of raising pigs was about 5.3 to 5.5 yuan per kg; therefore, each pig raised resulted in a loss of nearly 40 yuan, and such a price would inevitably affect pig production. When grain prices were adjusted upwards on June 10, the live-pig wholesale purchase price was up to 7.2 to 7.6 yuan per kg, which meant about a 40 yuan profit per pig, just about at normal levels.

Due to a shortage of live pig-sources, people from everywhere then went to the producing areas to "get meat". In each prefecture, city, and county where pigs were produced, purchasing people gathered from 18 provinces and regions throughout China. Sometimes there were several dozen purchasing work units sent out from a single province, and this purchasing demand inevitably drives prices higher. In Sichuan, after live pigs priced at 6.4 yuan per kg are processed into meat, the cost is only a bit over 9,000 yuan, while the market value is over 10,000 yuan.

Faced with this situation, people are asking: Can the constantly rising price of pork be controlled?

Although there currently are shortages in the live-pig market, a variety of timely measures by each local government and commercial department have caused live-pig prices to start to decline. These measures have included restricting prices, marketing at fixed places and in fixed amounts, etc., as well as granting financial subsidies and using local storage facilities to stabilize the market.

However, this year's live-pig producing and marketing situation again shows that in order to resolve pig marketing problems, we must work on the fundamental factors. With regard to production, the traditional farm household's haphazard way of raising pigs is no longer suitable to economic development and market requirements. We must raise pigs in accordance with the laws of market economy developments, establishing large-scale live-pig production bases. Meanwhile, development of an integrated service system which combines live-pig production, supply, and marketing, under the leadership of the meat association, is also required of state-owned food enterprises if they are to expand marketing and increase their share of the market. State-owned enterprises must change their existing methods of operation, for example developing new service areas, supplying good quality stud pigs and piglets, supplying good quality feed at favorable prices, supplying epidemic prevention and insurance services, etc., to control the sources.

In order to avoid deliberate price rises, we must establish a new pork distribution system among the provinces,

guarding against there being too many buyers when pigs are in short supply and buyers going blindly when there are too many sources. Distribution prices will be set by the provinces, taking into consideration reasonable profits according to the market situation.

To regulate the circulation of pork, we must also vigorously popularize slaughtering pigs at fixed slaughterhouses, proposing "slaughtering pigs at fixed slaughterhouses, selling pork at different places", while banning diseased pork or pork injected with water from going to market. Meanwhile, we must also establish and build up local storage and risk funds; in the past, when pork was in short supply and prices rose rapidly, some localities made timely use of local storage and risk funds, and this went a long way toward stabilizing prices.

The live-pig market has been opened up, but openness is not the same as giving up management. In the new market environment, government departments must regulate the market more scientifically; state-owned enterprises should also open up new areas of operation and service, as the changes in this year's live-pig market make perfectly clear.

#### Zhejiang Reports 1994 Grain Procurement

95CE0272I Hangzhou ZHEJIANG RIBAO in Chinese  
28 Jan 95 p 1

[FBIS Summary] As of 25 January, Zhejiang Province had procured 2.166 billion kilograms of grain, of which 1.936 billion kilograms were contract orders, fulfilling 101.9 percent of the task.

#### Zhengzhou Grain Futures Prices 20 Feb HK2102110795 Beijing CEI Database in English 21 Feb 95

[FBIS Transcribed Text] Zhengzhou (CEIS)—Prices of grain futures quoted on the China Zhengzhou commodities exchange on February 20, 1995:

Unit: yuan/contract (10 tons), Zhengzhou delivery					
	Prev.	High	Low	Settle	Volume
<b>Wheat</b>					
Mar	16360			16360	
May	15600			15600	
July	14860			14860	
Sep	12700			12700	
Nov	13860			13860	
Jan	16000			16000	
<b>Maize</b>					
Mar	14880	14880	14880	14880	30
May	14780			14780	
July	15600			15600	
Sep	14580			14580	
Nov	14200			14200	
Jan	14000			14000	
<b>Soybean</b>					
Mar	22000			22000	
May	21980			21980	
July	20000			20000	
Sep	20000			20000	
Nov	22000			22000	
Jan	23000			23300	

## East Region

### Fujian Leaders Discuss Implementing Jiang, Li Speeches

HK2302054095 Fuzhou Fujian People's Radio Network in Mandarin 2300 GMT 16 Feb 95

[FBIS Translated Excerpt] Yesterday afternoon [16 February], the provincial party committee and government opened a meeting for leaders of institutions directly under the provincial authorities, as well as leaders of prefectures and cities, to study and implement General Secretary Jiang Zemin's important speech on the Taiwan issue and Premier Li Peng's important speech during his inspection of Fujian.

Secretary Jia Qinglin stressed: These two important speeches are farsighted, provide explicit objectives, and have an important bearing on guiding Fujian's current and future work, creating new strong points, scaling new heights, bringing about a new leap in spiritual and material civilizations, and promoting the motherland's peaceful reunification.

Provincial leaders were among those present at the meeting, including Jia Qinglin, Chen Mingyi, You Dexin, He Shaochuan, and Wang Jianshuang. [passage omitted]

Jia Qinglin attended and addressed the meeting, pointing out: First we must seize opportunities. The focus of the 20-character work plan for the entire party and country is on seizing opportunities. The current opportunities are quite specific and practical for us. General Secretary Jiang Zemin's important speech serves as a very good opportunity for Fujian, which is just opposite Taiwan across the sea, to proceed with the work concerning Taiwan. In the last six months, General Secretary Jiang Zemin and Premier Li Peng have inspected Fujian, one after the other. Other central leading comrades also have inspected the province and made important remarks. All this serves as a powerful impetus for us to make our work a success. Central leading comrades have provided explicit instructions for some key construction projects in Fujian, and the relevant central departments have given us powerful support. All this serves a valuable opportunity for us to bring about a new leap in our economic construction. Leaders and departments at all levels must improve their sense of historic responsibility for and the urgency of seizing opportunities, and must truly understand the importance of seizing opportunities so as to carry out our work better.

Jia Qinglin emphasized: We must stress the importance of study. Conscientiously studying the important speeches by General Secretary Jiang Zemin and Premier Li Peng is a significant task, both for the present and for a period of time to come. We must conscientiously grasp the gist and main points of their speeches. [passage omitted]

In the course of study, propaganda and media departments must actively cooperate with each other, and must

increase the impetus of propagating the speeches by the general secretary and the premier. [passage omitted]

On behalf of the provincial party committee and government, Chen Mingyi made detailed arrangements for implementing the speeches by General Secretary Jiang Zemin and Premier Li Peng. 1) There is a need to seize opportunities, blaze a new trail in Fujian-Taiwan cooperation and exchanges, make a new breakthrough in Fujian-Taiwan economic and trade cooperation, bring about direct three links in Fujian ahead of other provinces, optimize the Taiwan-related legal environment, and rank in the country's forefront in carrying out propaganda toward Taiwan. 2) The reclamation of southeastern Fujian must be turned into a dragon head to stimulate the province's economic development. 3) Pillar industries must be cultivated, and an industrial system with Fujian's characteristics must be formed. 4) The Rice Bag and Shopping Basket projects must be carried out well. 5) State-owned enterprises must be enlivened so as to make up their deficits. 6) Comprehensive management must be exercised over prices so as to control price increases. 7) It is necessary to boldly engage in practice, and to accelerate the pace of reform. 8) Greater strides must be made in infrastructural construction. 9) High-technology industries must continue to be developed. 10) Party building must be strengthened, and the principle of doing two types of work, while laying equal stress on both, must be upheld.

### Shanghai Aims To Become 'World Fashion Center'

OW2302023895 Beijing XINHUA in English 0144  
GMT 23 Feb 95

[FBIS Transcribed Text] Shanghai, February 23 (XINHUA)—China's largest metropolis will stage an international fashion festival from March 21 to 28 as another step toward becoming a world fashion center.

The '95 Shanghai International Fashion Culture Festival will play host to trend-setters from France, Italy, the United States, Japan, and elsewhere, as well as some 20 world-famous models and an army of entrepreneurs, according to official sources.

Fashion shows, modelling, design competitions, research exchanges, international fashion fairs, exhibitions of historical relics in modern Shanghai, and displays of prize-winning works will all be a part of the festival.

Not only will traditional Chinese clothing be shown, but advanced overseas fashion concepts and technology will also be introduced in order to vault Shanghai into the world of fashion.

This largest of financial and economic hubs has become a leader in the fashion business in China where dresses and ornaments have been an important part of life for thousands of years.

The fashion industry in Shanghai embraces more than 4,400 factories, providing jobs for 250,000 and turning out goods and services worth 10 billion yuan in 1994.

In doing so, fashion has not only won a reputation for Shanghai, but has also earned large sums of foreign currency from its exports.

According to an official, however, Shanghai still lags far behind Paris, Milan, New York, and Tokyo, cities renowned world-wide for their fashions, especially in the areas of design, manufacturing technology, and fabrics.

### Shanghai Workers Protest Move To Restrict Jobs

HK2302104095 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 0821 GMT 22 Feb 95

[FBIS Translated Text] Shanghai, 22 Feb (ZHONGGUO TONGXUN SHE)—A regulation issued by the Shanghai Municipal Labor Bureau aimed at restricting the range of jobs available to migrant workers has drawn different reactions here. A few days ago, the Shanghai Municipal Committee of the Chinese Peasants' and Workers' Democratic Party published its dissent to the regulation in the form of a "partisan corporate bill."

The Shanghai Municipal Labor Bureau's No 1 notice divides jobs into three categories, A, B, and C. More than 20 occupations are classified as C, including jobs in financial and insurance industries, various management and supervisory positions, department store salespersons, cartographers, and lift maintenance workers. The notice has explicit provisions barring migrant workers from taking these jobs.

The bill by the Chinese Peasants' and Workers' Democratic Party stated that the provisions raise three controversial points: 1) Does this mean that migrant workers are only eligible to take difficult and hazardous jobs? If so, it will hurt the feelings of migrant workers and widen the psychological gap between urban and rural residents. 2) Though the bureau's provisions can raise the employment rate for residents of Shanghai origin to some extent, in the long term, barriers to quality jobs will prompt urban workers to have a high opinion of themselves, foster a counterproductive "aristocratic" mentality among them, and weaken the Shanghai people's abilities and their awareness of job competition, causing them to suffer greater difficulties in finding employment in the event of economic fluctuations. 3) The approximately 1 million migrant workers here have provided Shanghai with a low-cost labor force and their demand for daily necessities constitutes a massive market. The Shanghai people and the Shanghai economy will be the ones to suffer more from moves to blindly exclude the migrant labor force.

### Li Zemin Attends Zhejiang Congress Discussion

OW2302003995 Hangzhou Zhejiang People's Radio Network in Mandarin 1000 GMT 19 Feb 95

[From the "Provincial News Hookup" program]

[FBIS Translated Text] Today, the third session of the eighth Zhejiang provincial people's congress began group examination of the government work report. Li Zemin, secretary of the provincial CPC committee and chairman of the provincial people's congress standing committee joined the group discussion of the Wenzhou city delegation as an ordinary delegate. The atmosphere of the group discussion was very brisk and all aired their views. Delegate (Zhang Youyu) said that, in his government work report Governor Wan Xueyuan had summed up last year's work, appropriately analyzed existing problems, and arranged 1995's work in line with the central government's requirements and with Zhejiang's reality in a spirit of seeking truth from facts. He said he was particularly impressed with a passage in the report that said Zhejiang still managed to achieve economic growth despite major natural disasters last year. He also noted that Wenzhou was hit by number 17 typhoon and suffered 9.5 billion yuan in economic losses last year. Thanks to the concern and leadership shown by the provincial CPC committee and provincial government, the people of Wenzhou rose up with the spirit of building an enterprise through hard struggle, rebuilt their homes, promptly resumed production, brought about continued economic development, and managed to top the province in several economic indicators. At this point, Li Zemin interrupted his speech. He said that despite major natural disasters last year, people in Wenzhou did not panic and still managed to develop the economy. He said the result was inseparable from the broad masses of people and cadres working with one heart and one mind, and from the displaying of a spirit of building an enterprise through hard struggle. It was an extraordinary feat worthy of summing up.

This morning, Governor Wan Xueyuan joined the group discussion of the Lishui delegation. Delegates showed great enthusiasm in airing their views. They ranged from developing the economy in mountainous areas to railway construction. Delegate (Pan Jianzhong) said he felt great pressure to basically realize the target of nine-year compulsory education this year. For instance, compulsory education was practiced in only 38 percent of Qingtian county. This county still needs to invest over 50 million yuan of funds to provide compulsory education for 60 percent of the people. People know Qingtian is impoverished because of a lack of educational development. But at present, he said, Qingtian county is strapped for educational funds. Governor Wan Xueyuan replied. He said the development of education is linked with the future development of Zhejiang. All levels of leaders must do a good job in education. The provincial government has called on some well-run enterprises to provide funds to build schools in impoverished and mountainous regions; and organized various departments, economically-developed counties and cities, and large and medium-sized enterprises to help develop compulsory education in impoverished villages and townships. Governor Wan's remark received warm applause from delegates.

The agricultural issue was the delegates' favorite topic. Jiaxing delegate (Xu Guobin) said that Zhejiang's agriculture was in large measure dependent upon the weather and still very weak in its capability to fight natural disasters. However, some cadres and people are not worried about a lack of grain. They said if worse comes to worse, they will buy grain elsewhere. The idea that farming is the foundation of China has still not been firmly implanted in their minds. He expressed the hope that the provincial government will increase agricultural investment in line with the requirements of the agricultural law and truly implement concrete measures including the supply of chemical fertilizers and pesticides. He also expressed the hope that the government would coordinate with relevant departments and that all sectors would support farming. (Zhou Zhenghua), a delegate from Taizhou Prefecture and a major grain grower, has contracted 262 mu of farmland and invested 250,000 yuan in basic farm construction since 1985. Not only has he not recouped his investment, but most of his farmland was requisitioned for industrial purpose. He called on all levels of leaders to act in line with the requirements as set forth in the government work report that calls for resolutely maintaining land for growing grain, and for banning unauthorized occupation and abuse of tillable land, so that major grain growers may have land to till.

When touching on commodity prices, Hangzhou delegate (Wen Heping) said the common people are most concerned about the issue of commodity prices. Trying every possible means to increase effective supply, doing good work in market supply, enhancing the protection of vegetable and nonstable food bases, guaranteeing market supply, and stabilizing market prices are of utmost importance in curbing inflation and controlling price rises.

### Central-South Region

#### Over 35,000 People Given Prison Terms in Guangdong

HK2202121695 Beijing ZHONGGUO XINWEN SHE in Chinese 1308 GMT 19 Feb 95

[By reporter Gan Jiacai (3927 3946 2088)]

[FBIS Translated Text] Guangzhou, 19 Feb (ZHONGGUO XINWEN SHE)—At a provincial CPPCC [Chinese People's Political Consultative Conference] committee forum on public order and city management this afternoon, Chen Shaoji, head of the Guangdong Provincial Public Security Department, said: The public security departments have dealt a serious blow to criminals, but the crime rate still tends to go up, chiefly because of the increasing number of outsiders.

Chen Shaoji said: Guangdong Province cracked over 56,000 major criminal cases last year, an increase of over 12,000 cases over the previous year. It passed sentence on over 35,000 criminals, of whom over 20,000 received prison terms of five years or more, with the rate of stiff

sentences accounting for nearly 60 percent. Through the efforts of the public security and judicial departments, the rise in major cases dropped by 21 percentage points last year over the previous year.

It is learned that 80 percent of the criminals arrested in Guangdong Province last year were outsiders, who also accounted for 60 percent of those sentenced to death.

In his speech at the forum, Guangzhou Executive Vice Major Chen Kaizhi said: The number of cases cracked by Guangzhou last year exceeded the total number of cases solved in Beijing, Shanghai, and Tianjin, but the size of Guangzhou police force was only one-eighth that of the three municipalities. Thus it can be seen that an insufficient police force is also a crucial issue in the grim public order situation.

Chen Shaoji said: Crime is a comprehensive expression of various negative factors in society. Therefore, the way to solve it can only be the method of comprehensive management. Only through the long painstaking efforts of all quarters in society can public order take a fundamental turn for the better. Currently, we ask all people and units to guard their own doors well, to manage their own people well, and to carry out their own work well.

Chen Shaoji disclosed that Guangdong will launch a major popular action aimed at cracking down on drug-related crimes this year.

#### Zhuhai Leader Not To Retire Despite Health Rumors, Age

HK2302053695 Hong Kong HONGKONG STANDARD in English 23 Feb 95 p 7

[By Pamela Pun in Guangzhou]

[FBIS Transcribed Text] Zhuhai's party chief will stay on despite his old age and rumours about his declining health. Liang Guangda, mayor and party secretary of the Zhuhai Special Economic Zone (SEZ) yesterday dismissed Hong Kong reports pointing to his possible retirement due to cancer as purely fabrication. He said a general medical check he had last year proved that his condition was good and he was capable of carrying on his duties as party and administration chief.

Mr Liang told a news conference in Guangzhou that until now, he had not received any notice from his superiors requesting him to step down. "All the rumours about my health and retirement are just made-up stories," Mr Liang said. He cited a comprehensive medical check he had last July after he hosted a visit by China's party chief and President Jiang Zemin. "I went to hospital on 3 July for a routine check and was released on the 29th of the same month," Mr Liang said. He said he would continue working in accordance with the wishes of the people and party organ.

Mr Liang, one of the longest-serving local officials in Zhuhai, is one of the few local officials who concurrently

hold several major positions in a locality. He is also director of the Zhuhai SEZ administrative committee. He said Zhuhai's new airport, which is expected to come into commercial service by the end of next month, was primarily designed to serve passengers bound for domestic destinations. He said the airport authority would co-ordinate with Macao's international airport.

When asked if Chinese Premier Li Peng would be invited to cut the ribbon at the new airport's opening ceremony, Mr Liang said he had not yet made up his mind on arrangements as he had been fully occupied by other matters recently.

At the same occasion, the city's vice-mayor and vice party chief, Zeng Defeng, said labour disputes between a Japanese employer and local workers at a joint-venture had been calmed.

#### Hainan Governor Delivers Work Report to Congress

OW2202114495 Beijing XINHUA in English 1057  
GMT 22 Feb 95

[FBIS Transcribed Text] Haikou, February 22 (XINHUA)—South China's Hainan Province has vowed to further expand its opening to the outside, especially in the areas of economy and technology.

Governor Ruan Congwu made this known in his government work report delivered at the third session of the Provincial People's Congress Tuesday [21 February].

In the report Ruan emphasized the improvement of the investment environment in this island province, which is also China's biggest special economic zone.

Officials at all levels are required to take responsibility for offering conveniences to foreign investors and helping to remove obstacles, and their performance in this regard is directly connected with their promotion or demotion.

The province will attach particular importance to introducing funds from giant firms and consortiums abroad and directing them to the construction of basic facilities. High-tech industries which have the potential of generating great profit will play a key role in stimulating Hainan's economic development, Ruan said.

The province will also encourage some local enterprises to get more actively involved in the international financial market.

According to the report, foreign investment will be continuously involved in the experimental work of setting up large and medium-sized commercial enterprises, as well as some services such as insurance, leasing, accountancy and law.

The governor pointed out that special priority will be given to the development of tourism. This year will see Hainan host the National International Tourism Market

Sales Promotion Meeting and National Domestic Tourism Exchange Meeting.

The 1996 China Vacation Year will be centered on the island province.

#### Hainan Governor on Speeding Up Economic Expansion

OW2202141095 Beijing XINHUA in English 1123  
GMT 22 Feb 95

[FBIS Transcribed Text] Haikou, February 22 (XINHUA)—The economy of this, China's largest special zone this year is expected to increase faster than it did last year, according to Governor Ruan Congwu.

The province plans to expand its gross output value of agriculture by eight percent over last year to 10.9 billion yuan this year, that of industry by 20 percent to 14.2 billion yuan and actual foreign investment by 12.5 percent to 1.45 billion U.S. dollars.

To accomplish the goal, the provincial government will speed up the construction of a number of key industrial enterprises, including a refinery, a cement plant and a chemical fertilizer plant, and further improve tourism and infrastructure facilities.

Ruan noted that the province has already worked out a package of regulations and rules to ensure its smooth economic development and opening further to the outside world.

Last year saw the province actually use a record foreign investment totalling 1.289 billion U.S. dollars.

#### Henan Governor Presents Work Report

HK2302073195 Zhengzhou Henan People's Radio Network in Mandarin 2300 GMT 19 Feb 95

[FBIS Translated Excerpt] In Zhengzhou yesterday morning [19 February], almost 900 people's congress deputies from various parts of the province, entrusted with heavy tasks by Henan's 90 million people, came to the magnificent Henan People's Hall. At 0830, the Third Session of the Eighth Henan Provincial People's Congress solemnly opened here. The executive chairmen of the presidium were seated on the rostrum. They were: Li Changchun, Ren Keli, Song Zhaosu, Zhang Zhigang, Liu Guangxiang, Fan Lian, Hu Tingji, Qin Kecai, Zhong Lisheng, and Wang Hongfan. Provincial party, government, and military leaders seated on the rostrum were: Ma Zhongchen, Lin Yinghai, Song Guochen, Zhang Deguang, Fan Qinchen, Ma Xianzhang, Zhang Wenbin, Zhu Chao, Li Chengyu, Zhang Shiying, Zhang Honghua, Yu Jiahua, Li Zhibin, Hu Jiyun, and Wang Yunzhong. [passage omitted]

Li Changchun presided over the opening ceremony.

[Begin Li recording] Deputies: There are 935 deputies to the Eighth Henan Provincial People's Congress. Thirty-six are either on sick leave or have not checked in, 899

have checked in, and 800 are attending this morning's session. We now have a quorum. I now declare the Third Session of the Eighth Henan Provincial People's Congress open. Everyone please rise and listen to the national anthem. [anthem is played] [end recording]

[Announcer] Governor Ma Zhongchen gave a government work report.

[Begin Ma recording] Deputies: On behalf of the provincial people's government, I now present a government work report to this session. Please examine it. Members of the provincial committee of the Chinese People's Political Consultative Conference please also examine it.

First, a review of the work in 1994. [end recording]

Ma Zhongchen's report is divided into four parts: First, a review of the work in 1994; second, the guidelines and tasks for economic and social development in 1995; third, the main jobs in 1995; and fourth, adhering to the principle of doing two types of work simultaneously, further carrying out socialist spiritual civilization, and establishing the democratic and legal systems.

While reviewing the work in 1994, Ma Zhongchen said: In 1994, the people throughout the province—guided by the party Central Committee's and the State Council's policy of seizing opportunities, deepening reform, widening the scope of opening up, stimulating development, and maintaining stability—properly handled the relationship between stability and development, conscientiously implemented all macroeconomic regulatory and control policies and measures, made new progress in national economic and social undertakings, further strengthened Henan's comprehensive economic capacity, and properly fulfilled the tasks set by the Second Session of the Eighth Henan Provincial People's Congress. This mainly finds expression in: Overall development in the rural economy; a comparatively good agricultural harvest, despite serious natural disasters; sustained and rapid growth in industrial production and marketing; some improvement in enterprises' economic quality and results; steady growth in fixed-asset investment, and some improvement in the investment structure; smooth progress in the construction of key projects; steady and faster market formation; steadiness in brisk consumer goods markets; improvement in the people's lives; comprehensive implementation of the strategy of using openness as a propelling force; new headway in foreign economic relations and trade; smooth implementation of all major reforms, which has laid a solid foundation for the establishment of the socialist market economy structure; new achievements in spiritual civilization and all social undertakings; and basic stability in society.

While confirming these achievements, Ma Zhongchen pointed out: We must soberly understand that there are still many contradictions and problems in our economic and social life. For example, price increases are still excessive, agriculture is weak as the foundation of the national economy, some industrial enterprises are facing

difficulties in their production and operation, the contradiction between revenue and expenditure is prominent, some localities have serious problems with their social order, and some leading cadres have little consideration for the masses. All these matters must be conscientiously resolved in the course of deepening reform.

In his government work report, Ma Zhongchen set the guidelines and main tasks for Henan's economic and social development this year.

He stressed: In reaching unanimity of understanding, taking the overall situation into account, strengthening coordination, working in a down-to-earth manner, having a good idea of the impetus for macroeconomic regulation and control, and maintaining a balance between gross social supply and demand, we must fulfill the following jobs: Controlling price increases; firmly curbing inflation; strengthening agriculture as the foundation of the national economy; comprehensively developing the rural economy; focusing reform on state-owned enterprises so as to improve the quality and efficiency of industrial economic growth; establishing and perfecting the social insurance system; carrying out the strategy of using openness as a propelling force; expanding the scope of foreign exchange earnings through exports and the introduction of foreign capital; pooling capital via various channels; ensuring the smooth construction of key projects; making efforts to increase revenue; optimizing the credit structure; deepening circulation system reform; improving market formation; strictly controlling population growth; making a success of family planning; and adopting effective measures to develop educational, scientific, and technological undertakings.

Ma Zhongchen stressed: Throughout the course of reform, opening up, and socialist modernization, we must always adhere to the principle of doing two types of work simultaneously, while laying equal stress on both; strengthen socialist spiritual civilization, and the formation of the democratic and legal systems; continue to carry out comprehensive management of social order; run a clean administration; rectify malpractices in trades and undertakings; carry out institutional reform, with focus on transforming government functions; improve the work style of government institutions; and raise government work efficiency.

In conclusion, Ma Zhongchen said:

[Begin Ma recording] Deputies: On this ancient soil of Henan, the hardworking and ingenious Henan people will create more brilliant achievements in the new situation of reform and opening up. [applause] Under the correct leadership of the party Central Committee, the State Council, and provincial party committee, let us guide the people throughout the province in working with one heart and one mind, in boosting their morale, in forging ahead, and [words indistinct]. Thank you. [applause] [end recording]

**Henan's Zhengzhou Orders Closure of Publications**

HK2302054295 *Zhengzhou Henan People's Radio Network in Mandarin* 2300 GMT 17 Feb 95

[FBIS Translated Excerpt] Recently the provincial party committee's propaganda department and the provincial press and publications bureau issued a warning notice on the illegal publication of newspapers and magazines by some localities and departments throughout the province regardless of the relevant regulations. The notice points out the names of newspapers and magazines published illegally. They are: JIAOZUO FAZHI WENYI BAO [JIAOZUO LEGAL, LITERATURE, AND ART NEWS], published by the Jiaozuo City Literature and Arts Association; JIATING JIAOYU BAO [FAMILY EDUCATION NEWS], published by the Zhengzhou City Education Commission; XIAOXUE SHENG DUXIE BAO [PRIMARY SCHOOL STUDENTS' READING AND WRITING NEWS], published by the Xuchang City Experimental Primary School; XUCHANG QINGNIAN BAO [XUCHANG YOUTH NEWS], published by the Xuchang City Committee of the Chinese Communist Youth League; GUANGBO DIANSHI BAO [RADIO AND TELEVISION NEWS] published by Pingdingshan and Ruzhou Cities; as well as newspapers published by the party committees of Qixian County, Lingzhou City, Changhe City, Neixiang County, and Minquan County.

The notice points out: Some of these illegal newspapers are circulated in big cities and openly sold on the streets or at news stalls; some are sent to grass-roots units to forcibly solicit subscriptions; some have continued publication regardless of the prohibitions imposed by the provincial press and publications bureau. These illegal publications have seriously disturbed the circulation of normal newspapers and magazines. [words indistinct] They have caused strong dissatisfaction among cadres and the masses. [passage omitted]

The notice further says: The above-listed newspapers and magazines must be immediately stopped and the relevant departments must submit written self-criticisms to the press and publications management departments. [passage omitted including passage indistinct] In addition, all newspapers and magazines must be approved by the provincial press and publications bureau and the provincial party committee's propaganda department. No local departments or units have the right to publish newspapers or magazines. From now on, all newspapers and magazines published without the approval of the press and publications department will be regarded as illegal publications and will be severely dealt with. [passage omitted]

**North Region****Progress of Beijing Steel Corporation Viewed**

OW2202170795 *Beijing XINHUA in English* 1644  
GMT 22 Feb 95

[FBIS Transcribed Text] Beijing, February 22 (XINHUA)—Two production lines are running at high speed

in a workshop at the Shougang (Capital Iron and Steel Corporation), turning out badly needed steel rods.

Chen Guodong, deputy chief in charge of the steel rolling section, said that output is at a high of 2,300 tons a day since the appointment of a new board chairman to the corporation, and product quality is improving steadily.

A week ago Bi Qun replaced Zhou Guanwu, now 77, as chairman of the board of directors and secretary of the Chinese Communist Party committee of Shougang.

In the No. 2 Steel Mill, a huge 210-cu.m. converter is smelting molten steel, and a 350-ton crane is running smoothly. Zhao Yan, 29, who oversees the No. 3 converter says that workers are confident about meeting the output target while cutting production costs.

Chen Weihan, head of the control room displayed daily production figures for the past week, saying that the output of iron, steel, and rolled steel has risen slightly with quality guaranteed.

He added that the daily output of the new No. 3 blast furnace was 16 per cent above average in the first half of this month.

According to Bi Qun, newly-appointed board chairman, Shougang's sales, profits, tax payments, and exports should all see big increases in 1995 and there are plans to export at least one million tons of steel and earnings of one billion U.S. dollars this year.

**Hebei's Cheng Weigao on Public Security**

SK2202132895 *Shijiazhuang HEBEI RIBAO in Chinese* 23 Jan 95 pp 1, 2

[FBIS Translated Text] On 22 January, Cheng Weigao, secretary of the provincial party committee, made a statement on the subject of "serving the overall situation, maintaining stability, and creating a good social environment for reform and development" at the provincial meeting on public security, procuratorial, and judicial work.

Cheng Weigao said: We should continuously regard safeguarding stability as the "overriding" major task and place it in the dominant position of various tasks. The party committees and governments at all levels should overcome and prevent the ideas of slackening their efforts and firmly grasp the work of safeguarding social stability from the beginning of the year. We should arrange various problems that affect social stability in the order of importance and urgency, specifically adopt measures, carry out responsibility, do solid work, and guarantee that the province's various tasks of reform, opening up, and economic development for this year will be smoothly accomplished under the stable condition.

Speaking about strengthening the struggle of "dealing stern blows," strengthening the basic work of grass-roots units, and further carrying out the comprehensive management of public security, Cheng Weigao pointed out:

At present, whether the public security is good or not is an important focal point that the masses and people are concerned with. The broad masses of people still feel insecure and unsatisfied because the situation of public security is quite grim, public security is chaotic, and various criminal activities and economic crimes are still rampant in some districts. Therefore, the crux of grasping stable society and a secure life is to further strengthen the rectification of public security. Whether or not public security can be further rectified and the people can have a secure life is a practical test for the leadership ability of various party committees and governments. This year, we should continuously act in line with the principle that "whoever takes charge of the work takes the responsibility"; further strengthen the responsibility system of public security comprehensive management; realistically carry out responsibility in various districts, departments, and units; and give strict evaluation, rewards, and punishments. Wherever the public security is not good and major and serious problems happen, the responsibility of the party and government leaders and leaders in charge should be called to account. In order to promote the comprehensive management of public security, during this year, we should pay attention to grasping the battle of "dealing stern blows" in a certain stage and strengthening the basic work of grass-roots units. At the beginning of this year, we should concentrate our efforts to fight several battles in a planned and organized way and conduct several specific struggles. For the major and vicious crimes with great harm and bad influence, the local ruffians and tyrants who run wild everywhere, evil force of hoodlums, criminal gangs with underworld society characteristics, bus and train bandits and highwaymen, infamous robbers or pirates, the major criminals who commit crimes and escape, the criminals who swindle and sell women or rob and steal children, the major smugglers, the criminals who swindle money, evade and resist to pay tax, or make and sell imitated and inferior products, and other serious criminals who break the order of socialist market economy, we should regard them as the priority of "dealing stern blows," accelerate the rate cracking criminal cases, resolutely carry out the principle of dealing stern and quick blow in line with the law, arrest those who should be arrested, give serious punishment to those who deserve it, give death sentences to those who deserve it, and never be kind and soft-handed. In "dealing stern blows," we should continuously and deeply grasp the work of "cracking down on pornography" and the work of "cracking down on illegal publication" and resolutely curb the development and spreading of various social repulsive situations. In the course of "dealing stern blows," the provincial party committee has decided that during this year, efforts should be made to extensively launch the activity of the "grass-roots basic work year" of public security. Through the activity, we should regard strengthening the construction of the grass-roots party organizations as the basic work and bring along the perfection of various grass-roots constructions; regard strengthening the building of systems

as the basic work and promote the development of various grass-roots tasks; and regard strengthening the ideas of people's morality and legal system as the basic work and devote great efforts to preventing and reducing law-breaking activities and crimes. For the complicated villages, towns, roads, streets, and places, we should organize specific forces; on one hand, grasp the work of "dealing stern blows" on the other hand, grasp the grass-roots organization and basic construction, and conduct fundamental management. Grasping grass-roots organization and basic construction is a systematic work, thus, we cannot just depend on the public security, procuratorial, and judicial departments. In line with the unified guidance of the party committee, we also should give full play to the functional role of public security, procuratorial, and judicial departments and the management role of the whole society in line with the law, boost the enthusiasm of all sectors, act in line with our duty and the division of labor in the comprehensive management of public security, and actively participate in the grass-roots basic work and the work of crime preventions. All districts should conscientiously work out overall plans and from this year to some years to come, successfully carry out the grass-roots basic work. In launching the activity of "grass-roots basic work year," we should further carry out the mass line, depend on the society and the masses, strengthen the efforts of specific organs and the masses, and do prevention and management work through the efforts of the masses. Besides, we also should really do a good job in understanding and grasping the situation of the society and enemies, have a thorough grasp of the enemy's situation, have a good control of enemy's every movement, and effectively rely on the masses to struggle with various criminals. In order to guarantee the personal and property safety of the state and people, during this year, we should realistically attend to the work of "preventing fires, explosions, and industrial and traffic accidents." We should conscientiously and responsibly conduct safety examination and severely prevent the occurrence of major public security disasters and accidents.

Speaking about the construction of public security, procuratorial, and judicial contingent, Cheng Weigao pointed out: Hebei's public security, procuratorial, and judicial contingent is dependable and full of fighting force, thus, the main trend is good. Particularly, through the work of concentrated education and rectification starting from last year, the quality and fighting force of the public security, procuratorial, and judicial contingent has been further enhanced. But we also should soberly notice that the negative and corruptive problems of this contingent in the fields of ideology, organization, and work style have not been completely resolved and the problems of violating law in the course of enforcing law, taking bribes and bending the law, and extorting a confession by torture are still the hot issues strongly reflected by the masses. Therefore, we should continuously devote great efforts to grasping the construction and rectification of the public security, procuratorial,

and judicial contingent. As the pillar of safeguarding social stability, the public security, procuratorial, and judicial contingent should first guarantee their strong determination and strictly enforce it during its self construction. Justice can bring about integrity and honesty can bring about dignity, thus, only by enforcing the law justly can we have the great order across the land. In order to guarantee that the public security, procuratorial, and judicial contingent will not let down the heavy trust vested by the party and people, we should continuously grasp the construction and rectification of the public security, procuratorial, and judicial contingent in a down-to-earth manner and comprehensively enhance the professional and political qualities and the level of enforcing the law. We should severely check the corruptive situation in the public security, procuratorial, and judicial contingent; handle any bad guy who has sneaked into the contingent; and never let black sheep stay in the contingent. At the same time, the party committees and governments at all levels should actively support the public security, procuratorial, and judicial departments to independently enforce their rights in line with the law and support them to overcome obstructions and handle matters impartially. The party committees and governments at all levels should handle matters in strict accordance with the law; prevent the situation of using words and powers to replace the law; strengthen the supervision of law enforcement of public security, procuratorial, and judicial departments; examine the situation of law enforcement at the right moment; and tackle the existing problems at any time. The party committees and governments at all levels also should try to find ways to guarantee funds for handling cases, continuously improve the office conditions of public security, procuratorial, and judicial departments if financial resources permit, and devote great efforts to eliminating misgivings and difficulties for public security, procuratorial, and judicial cadres.

Speaking about giving play to political advantages, strengthening ideological and political work, and giving correct public opinion guidance, Cheng Weigao pointed out: Ideological and political work and propaganda and education work are our party's political advantages. In the process of changing the system, the party committees and governments at all levels should pay great attention and give full play to these advantages and successfully carry out the ideological and political work. This will play an important role in unifying ideology, strengthening morality, tackling contradictions, and safeguarding stability. Owing to the changes of the social structure and the pattern of interest caused by reform, the masses have changed their ideas, hold different views for the same issue, and even have dissatisfied emotions; but these are the inevitable and normal situations. The crucial issue involved here is that we should attend to the ideological and political work in time. If we ignore the ideological and political work and lack the correct leadership, it probably will lead to disturbances. Thus, the more the reform is deepened, the more we are asked to

strengthen the ideological and propaganda work and deeply and meticulously carry out ideological education among the broad masses of staffs, workers, and peasants. Specifically on the ideological situation of the masses at various levels across the province, the party committees and governments at all levels and various industrial and mining enterprises, townships, organs, and schools should conscientiously grasp the situation of education and lead the masses to actively and comprehensively look upon the situation. We should correctly recognize the great achievements of reform and opening up and the new situations and problems emerging in the process of reform. We should correctly recognize the reasons for the corruptive situations caused by the new situation and the resolute attitude and measures our party has adopted, and the achievements it has made at a certain stage in conducting the anticorruption struggle. We should correctly recognize the important motivation role of the change of systems in economic development and the subjective and objective reasons for causing the difficulties of some enterprises in the course of the change. We should correctly recognize the correctness of the basic policy of making some districts and people become prosperous first and reaching common prosperity at last, the efforts and achievements made by the party and government in supporting the developed areas and poverty-stricken areas, and so on. The purpose of carrying out ideological and propaganda work is to help the masses resolve their ideological puzzlement, free themselves from the unbalance of minds, establish new ideas, subordinate personal interest to the state's interest, the partial and local interest to overall interest, and immediate interest to long-term interest, actively participate in reform, and support reform. It is the moment for the propaganda, ideological, and cultural departments to have the richest work content and best opportunity for displaying their role, and the best conditions for doing a good job. The crux lies in the political and professional quality, dedication and sense of responsibility, and work impetus of the propaganda, ideological, and cultural departments. We hope that the departments of propaganda, ideology, public opinions, and culture will fully recognize their important responsibility for maintaining social stability, seize the opportunity, work hard, give full play to the role of correct guidance, and serve reform, development, and stability. The crux of successfully carrying out the current propaganda and ideological work is that these departments should really understand and grasp the theory of building socialism with Chinese characteristics; go down to the grass-roots units, reality, and life; understand the new situations and experiences of reform and development; and grasp the new ideology and issues of cadres and the masses. Only by this way can we really arm people with scientific theory, lead people with correct public opinions, train people with noble spirit, and inspire people with excellent works. In carrying out the propaganda and ideological work, we should concentrate our efforts on singing the main melody. Besides, we also should

devote great efforts to advocating various ideas and behaviors advantageous to carrying forward patriotism, collectivism, and socialism; various ideas and behaviors favorable to reform, opening up, and modernization drive; various ideas and behaviors beneficial to people's unity, mutual help and friendly affection, and social progress; and various revolutionary spirits conducive to launching arduous struggle and building enterprises through arduous efforts. We should exert our efforts to propagate and report the good situations and positive experiences and typical cases of reform and construction, encourage more and disappoint fewer people, and further strengthen the confidence and cohesion of the broad masses of cadres and the people. We should grasp the ideological pulse of the masses and people; resolve the doubtful, difficult, and hot issues which the masses are concerned with, and help people remove doubts and not adapting in terms of their concepts and ideas. In brief, through strengthening and improving the propagation of ideology and public opinions, imbuing the people with positive concepts, clearing up doubts, and concentrating the will of the people, we should further concentrate the attention and energy of the whole province's people on successfully carrying out reform and opening up, safeguarding stability, and building the economically strong province.

Cheng Weigao also made a statement on the four issues. A. The basis of safeguarding stability is to adhere to the principle that development is the essential criterion, add impetus to reform and opening up, and accelerate the step of economic development. B. Efforts should be made to strengthen the price management, curb the inflation, and realistically make good arrangements for people's living. C. Efforts should be made to promote anticorruption struggle unwaveringly. D. It is necessary to pay great attention to people's letters and visits and correctly handle the internal contradictions of the people.

#### Northwest Region

#### Gansu Accelerates Pace of Local Economic Legislation

OW2102142095 Beijing XINHUA in English 0947  
GMT 21 Feb 95

[FBIS Transcribed Text] Lanzhou, February 21 (XINHUA)—Northwest China's Gansu Province has accelerated the formulation of regulations governing economic management in a bid to invigorate the local economy and facilitate the creation of a market economy.

An official of the Provincial People's Congress said that the congress has formulated 78 sets of regulations over the past few years, with emphasis being placed on rules concerning economic management.

The congress has promulgated a set of regulations encouraging foreign investors, another set concerning the movement of personnel, yet another regarding arbitration of labor disputes, and a set concerning water conservancy.

The congress has also formulated new regulations to settle problems that have arisen from the operation of a market economy. These include a set of provisional regulations governing the management of brokers and another set on auctioneering.

The official said that Gansu has also stepped up efforts at establishing a legal system in areas inhabited by ethnic minority groups, so that seven autonomous counties and two autonomous prefectures in the province have all promulgated regulations concerning regional autonomy for people of ethnic minorities.

Such counties and prefectures have also formulated 15 sets of special regulations on education, culture, and management of natural resources in areas inhabited by ethnic minorities.

The official said that legal affairs offices have been set up in 14 prefectures and 85 counties and cities.

#### Xinjiang Chairman Delivers Government Work Report

OW2102141895 Urumqi Xinjiang Television Network  
in Mandarin 1330 GMT 18 Feb 95

[Announcer-read report over video; from the "Xinjiang News" program]

[FBIS Translated Excerpt] The Third Session of the Eighth Xinjiang Regional People's Congress opened at the Xinjiang People's Hall this morning. [video begins with pan shots of the hall from a high angle, showing a packed hall with deputies] [passage omitted]

The meeting today was chaired by Abudun Niyaz [chairman of the Xinjiang regional people's congress standing committee]. [video shows bust shot of Amudun Niyaz declaring the session's opening]

Attending the opening meeting and sitting at the front row on the rostrum were Wang Lequan, Janabil, Keyum Bawudun, Pan Zhaoming, Wang Chuanyou, Zhou Shengtao, Hsiliqiemu Silaau, (Li Fengzi), (Abduleymu Amit) and others. [video shows close-ups of these Xinjiang officials when their names are announced]

On behalf of the regional people's government, regional chairman Abulaiti Abudurexitu delivered the regional government work report, which has these three parts: 1) a review of 1994; 2) economic projects for 1995; and 3) a discussion of ethical construction and social development projects. [video shows medium close-ups and then bust shots of the Xinjiang chairman reading the government work report, as well as medium close-ups shots of deputies in various parts of the hall reading the printed version of the chairman's government work report. Some deputies are seen wearing headphones to listen to the translation of the chairman's report in Uygur language]

Abulaiti Abudurexiti said in his report: 1994 was a year in which all sectors in Xinjiang moved toward the socialist market economy, and a year in which Xinjiang continued to succeed in reform and development. [passage omitted] The successes Xinjiang achieved can primarily be observed in: 1) The substantial economic growth in the rural areas; 2) the continual growth in industrial output and the development of communications services; 3) stronger basic industries and infrastructures; 4) stable revenues and financial situation; 5) the good momentum of opening up; 6) stronger macroeconomic regulation over the economy; 7) progress made in the development of scientific, educational, and cultural affairs as well as health services and sports activities; and 8) stable public order.

Abulaiti Abudurexiti continued: While acclaiming our successes, we must also be aware of our shortcomings and insufficiencies, such as high commodity prices, unfulfilled industrial production plans, low economic returns, growing financial deficits, difficult fund procurement, weak agricultural foundation, and limited capacity for future development.

Abulaiti Abudurexiti said: 1995 is the last year of the Eighth Five-Year Plan period, and the year in which preparations have to be made for the launching of the Ninth Five-Year Plan. The general guideline for Xinjiang's economic work is: We must uphold the guidelines laid down by the Third and Fourth Session of the 14th CPC National Congress; follow through with the principle of seizing the opportunity to deepen reform, open wider to the outside world, expedite development, and maintain stability; properly handle the relationship among reform, development, and stability and continue to deepen reforms, and speed up the pace of opening wider to the outside world, giving full scope to Xinjiang's rich natural resources and geographical advantage; optimize Xinjiang's economic structure to achieve higher economic returns; control inflation; increase effective supply and strive to maintain a balance between total supply and demand in Xinjiang; and accomplish the Eighth Five-Year Plan in all sectors to ensure a sustained, rapid, and healthy economic development as well as to ensure progress in the scientific, technological, educational, and other areas.

Abulaiti Abudurexiti also commented on ethical construction and social development.

He concluded: This year is crucial for accomplishing the Eighth Five-Year Plan. The new situation demands us to press forward. The assignments confronting us are even more formidable than ever before. We must courageously shoulder our historical burden, and mobilize people of all nationalities in Xinjiang to work hard with one heart and one goal with an exploratory spirit so that we can proudly greet the 40th founding anniversary of Xinjiang with outstanding achievements. [passage omitted] [video ends with a distant shot of a brightly illuminated rostrum with PRC flags and insignia as the backdrop and a streamer with Chinese and Uygur characters about the session]

### Xinjiang Trains Female Minority Cadres

SK2202081095 Beijing XINHUA Domestic Service in Chinese 1817 GMT 19 Feb 95

[By reporter Peng Hong (1756 4767) and correspondent Wang Shuling (3769 3219 3781)]

[FBIS Translated Text] Urumqi, 20 Feb (XINHUA)—Xinjiang Uygur Autonomous Region, which is comprised of many nationalities, has attached importance to the training of the women cadres of minority nationalities, provided favorable conditions for women of various nationalities to participate in and discuss state and government affairs, and enabled a large number of women cadres of minority nationalities who had both political integrity and ability to assume leading posts at various levels in the past few years.

As was learned, women cadres of minority nationalities exceed 100,000 in Xinjiang, accounting for over 48 percent of the total number of women cadres in the region. Of them, women cadres of minority nationalities of county-level leading bodies accounted for over 70 percent of the women cadres at the same level. In all the county and city (district) party committees, governments, people's congresses, and committees of the Chinese People's Political Consultative Conference of the region, there are also women cadres of minority nationalities assuming leading posts.

The Xinjiang Uygur Autonomous Regional Party Committee has attached importance to the training of women cadres of minority nationalities. By sending them to party schools and grass-roots levels or assigning them to assume posts in other localities, it has arranged the exchange of women cadres of minority nationalities between higher and lower levels and sent them to assume posts and study in coastal and inland economically developed provinces and municipalities in a planned manner and with definite purposes in order to broaden their field of vision and enhance their ability. So far, over 3,000 women cadres have been sent to inland areas for visit and observation activities.

To help women cadres of minority nationalities enhance their skills, the autonomous region has organized and sent women cadres of minority nationalities at and above the county and section levels to study at the Central Party School group by group at different times and those at and above the division level to study at the Central Institute of Nationalities over the past few years. So far, 280 have been sent there for advanced study. Meanwhile, the party schools of the various prefectures and autonomous prefectures in the autonomous region also opened theoretical training classes to train the nearly 10,000 grass-roots women cadres of minority nationalities over the past few years. The women cadres school of the autonomous region opened various types of training classes for women plant directors, women managers, women financial and accounting personnel, and cadres of county and township women's federations, and over 500 women cadres of minority nationalities have undergone training there.

**Olympic Committee To Invite PRC Official for Visit**

OW2202144995 Tokyo KYODO in English 1418 GMT  
22 Feb 95

[FBIS Transcribed Text] Taipei, Feb. 22 KYODO—The Chinese Taipei Olympic Committee (CTOC) will invite Wu Shaozu, president of the Chinese Olympic Committee (COC) and minister in charge of the State Physical Culture and Sports Commission, to visit Taiwan, a CTOC official said Wednesday [22 February].

Chen Kuo-yi, deputy secretary general of the CTOC, said CTOC President Chang Feng-shu will make the invitation when he visits the mainland next month to seek Chinese support for Kao-hsiung's bid to host the 2002 Asian Games.

If Wu accepts the invitation, he will be the first Chinese minister to visit Taiwan.

In 1993, then COC President He Zhenliang visited Taiwan, but he was vice minister of the state commission.

Chen said Wu could be expected to accept the invitation, citing an eight-point proposal made by China last month on relations with Taiwan which he said made it clear Beijing is ready to promote sports exchanges.

Besides Kao-hsiung, South Korea's Pusan is bidding to host the 2002 Asian Games, and China's support is considered decisive.

**Progress of Geneva GATT Talks Reported**

OW2302103495 Taipei CNA in English 0914 GMT  
22 Feb 95

[By Maurus Young and Danielle Yang]

[FBIS Transcribed Text] Geneva, Feb. 22 (CNA)—Eight Taiwan trade negotiators, led by Board of Foreign Trade (BOFT) Director-General Lin Yi-fu, are holding a series of intensive talks with Canada, Switzerland and the European Union (EU) under the framework of the General Agreement on Tariffs and Trade (GATT).

Canadian trade representatives have agreed to trim their list of demands for tariff concessions from more than 200 items to 50, Lin said, adding that the 50 items include chemical products, machinery, auto parts, environmental protection goods and telephones.

Talks with Switzerland are proceeding smoothly and only a few categories of products remain on the negotiation table, Lin added.

Lin said he expects the talks with Canada and Switzerland to conclude soon.

Meanwhile, Chen Wu-hsieng, a section chief at the Council of Agriculture, met with trade representatives from the 15 countries of the EU Wednesday [22 February].

The EU negotiators asked Taiwan to lower customs duties on 26 agricultural products to 25 percent. The list of products included powdered milk, cream, sugar, bread, cookies, cocoa and olive oils, Chen said.

Chen promised to take the list to Taipei and review the demands with related industries there.

Taiwan applied to join GATT in 1990 and hopes to complete talks on its trade regime by March.

**Differences With Colombia, Mexico Reduced**

OW2302105095 Taipei CNA in English 0144 GMT  
23 Feb 95

[By Benjamin Yeh]

[FBIS Transcribed Text] Taipei, Feb. 22 (CNA)—Despite a lack of concrete agreements between Taiwan and Mexico and Colombia during the just-finished GATT talks, the two countries' differences with Taiwan over its trade regime were narrowed, an official with the Board of Foreign Trade (BOFT) said on Wednesday [22 February].

"Due to the decrease of disputes, we will try to talk directly with the two countries either through Taiwan's representative office in Geneva or through document exchanges," Teng Cheng-chung, a BOFT section chief, said one day after the talks concluded.

The Colombian negotiators generally expressed satisfaction during the talks with Taiwan's planned reduction in import duties, but they still want Taiwan to continue cutting tariffs on leather products, chemicals and car parts, Teng said.

The Mexican negotiators, he said, showed particular concern about Taiwan's tariffs on agricultural products and its quarantine procedure.

Eight Taiwan negotiators, led by BOFT Director-General Lin Yi-fu, have been in Geneva to hold a series of intensive talks with the European Union, Canada, Australia, New Zealand, Chile, Uruguay and Switzerland under the framework of the General Agreement on Tariffs and Trade.

Taiwan applied to join GATT in 1990, and is set to complete the talks on its trade regime by March, thus allowing it a seat in GATT's successor body, the World Trade Organization.

**Vice President Li Meets With Panamanian Minister**

OW2302055095 Taipei CNA in English 0130 GMT  
23 Feb 95

[By Flor Wang]

[FBIS Transcribed Text] Taipei, Feb. 22 (CNA)—Vice President Li Yuan-zu said Wednesday [22 February]

that the Republic of China [ROC] and Panama have the common wish to further strengthen bilateral relations.

Li made the remarks when meeting with visiting Panamanian Industry and Commerce Minister Nitzia de Villarreal.

While stressing that many bilateral cooperative ventures have been implemented because of the traditional cordial friendship between the two countries, Li said he was much impressed with the social development of Panama, to where he led a delegation to attend the inauguration of President Ernesto Perez Balladares in August.

Li hailed Panama as a prime transportation hub linking North and South America as well as the Pacific and Atlantic, and said the country is an ideal site for foreign investors.

Speaking of the success of many ROC nationals in Panama, Li expressed his thanks for the generosity of the Panamanian people, who have always been strong supporters of the ROC in the international community.

Echoing Li's view, Villarreal reiterated Panama's stance to back the ROC internationally, and vowed to boost cooperation in all fields.

Li also asked Villarreal to convey his respects to President Balladares and hoped he will soon visit the ROC.

Accompanying Villarreal at the meeting were Panamanian Ambassador to the ROC Isaac Hanono [name as received] and his wife. ROC presidential spokesman Raymond Tai was also present.

#### **U.S. To Evaluate Taipei's Conservation Efforts**

*OW2302060895 Taipei CNA in English 0139 GMT  
23 Feb 95*

[By Benjamin Yeh]

[FBIS Transcribed Text] Taipei, Feb. 22 (CNA)—The Clinton administration is scheduled to send officials here on March 12 to investigate the progress Taiwan has made in its wildlife-protection regime, a Ministry of Foreign Affairs official said on Wednesday [22 February].

"The government attaches great importance to the visit because the results of their fact-finding tour might be used as a vital reference by the Clinton administration to decide whether or not to lift trade sanctions against Taiwan," the official said.

From March 14 through March 17, the U.S. group, organized by the Fish and Wildlife Service of the U.S. Department of the Interior, will visit with Council of Agriculture and customs officials, as well as inspect some Chinese medicine shops, the official said.

"According to the data we have gathered, future developments should be optimistic," the official said.

In August, Washington banned a range of Taiwan imports, including live tropical fish, goldfish, bird feathers, edible frogs and items made from reptile skin, to punish Taiwan for its failure to stem the illicit trade in tiger parts and rhino horns. The ban is estimated to be costing Taiwan up to US\$25 million a year.

The government hopes the U.S. will revoke the trade sanctions before the Convention on International Trade in Endangered Species, or CITES, meets in Geneva March 21-24, also to decide whether to impose trade sanctions on Taiwan. CITES met last December, but the issue of trade sanctions against Taiwan was not raised.

To polish its international image, Taiwan has taken the initiative in fighting wildlife smugglers, cracking down on the sales of endangered species and products as well as implementing a more stringent wildlife protection law.

Under the new law, people who illegally trade in endangered species could be jailed for a maximum of five years and/or fined NT\$1.5 million (US\$57,000), up from a two-year jail term and NT\$60,000 fine.

#### **Foreign Minister Greets Central African Delegation**

*OW2302052595 Taipei CNA in English 0149 GMT  
23 Feb 95*

[By Bear Lee]

[FBIS Transcribed Text] Taipei, Feb. 22 (CNA)—An 11-member delegation from the Central African Republic, led by Prime Minister Jean-Luc Mandaba, arrived here Wednesday [22 February] for a six-day visit.

Mandaba and the delegation were greeted at the airport by Foreign Affairs Minister Chien Fu.

Mandaba will call on President Li Teng-hui, Premier Lien Chan, Foreign Affairs Minister Chien Fu and other ranking government officials, and visit economic and agricultural establishments during his stay.

Since the ROC [Republic of China] and Central Africa resumed diplomatic relations on July 8, 1991, the two countries have maintained close ties in agriculture and medicine. They have also frequently exchanged visits by ranking officials. Central African President Ange-Felix Patasse paid a state visit to the ROC in October 1994, while Chien visited Central Africa in December of the same year.

Accompanying Mandaba are Simon Bedaya-Ngaro, the minister in charge of French-speaking communities [title as received], Andre-Christian Zane-Fe Touam-Bona, the minister of public health and population, and Martin Gbafolo, the minister of water resources, forests, hunting, fisheries, tourism and the environment.

#### **Police Bust 'Criminal Ring' Smuggling Arms**

*OW2302101695 Taipei CNA in English 1003 GMT  
23 Feb 95*

[By Sofia Wu]

[FBIS Transcribed Text] Taipei, Feb. 23 (CNA)—Police Wednesday [22 February] busted a criminal ring using fake exports to smuggle arms into Taiwan from the Philippines, the Criminal Investigation Bureau (CIB) said Thursday.

The CIB said the ring first exported 75 motors in a container to the Philippines last December and then shipped the container back to Taiwan with contraband arms hidden inside.

CIB officials said this was the first time they had encountered this form of smuggling.

The police arrested four suspects and confiscated four submachine guns, 40 pistols and more than 2,000 rounds of ammunition.

The four suspects were identified as Tai Chia-liang, 33; Huang Chun-tze, 30; Hsieh Wen-pin, 29; and Lin Shih-chieh, 24.

The police followed the four suspects for several months after receiving a tip that some gangsters active in Kuei-jen, Tainan County in southern Taiwan were planning to smuggle arms and drugs from the Philippines by hiding the products in cargo containers.

A special task force formed by the CIB and the Ministry of Justice investigation bureau found that the ring, headed by Tai Chia-liang, shipped 75 motors in a container to the Philippines last December under the name "Yung Hsiang Co."

The consignee, identified as A-yung, however, rejected the cargo and returned the container to Taichung harbor in central Taiwan in mid-January.

The task force kept close watch on the container and decided to intercept the suspects when they were transporting the container to Kueijen last evening.

Police opened the container under tight security and discovered 40 different pistols, four submachine guns and 2,750 rounds of ammunition hidden in seven of the 75 motors.

Criminal investigators will continue to search for other suspects and determine whether contraband arms have been distributed to local gangsters. Taiwan will also ask Philippine police to find and arrest A-yung.

#### \*Journal Views Differing Responses to Recent Elections

##### \*Majority Sees Improvement

95C0101A Taipei TZULI WANPAO in Chinese  
11 Dec 94 p 3

[Article by Wang Hsueh-mei (3769 7185 5019): "More Than Seventy Percent of Public Believe Elections Comparatively Clean"]

[FBIS Translated Excerpt] The Republic of China Public Opinion Poll Association this afternoon announced its first post-election public opinion survey. The survey results indicate that more than 70 percent of the electorate believe that the election bribery situation for these governor and mayoral elections was "very much improved" or "somewhat improved" over previous elections, and for provincial assemblymen and city council members those who believed that the bribery situation has improved also exceeded 50 percent.

The Public Opinion Poll Association conducted this survey from December 5 to 7, and the survey was primarily directed at issues such as buying of votes, violence, and mudslinging against opponents during the election period. The sample survey used telephone interviews with eligible voters in the Taiwan region who were at least 20 years of age.

On the issue of election bribery, for provincial governors and mayors, those who considered that there was "very much improvement" or "some improvement", constituted 70.9 percent in Taipei City, 73.9 percent in Kaohsiung, and 72.8 percent for Taiwan Province; those believing it was "roughly the same" as in the past amounted to 21.4 percent in Taipei City, 17.9 percent in Kaohsiung, and 16.2 percent in Taiwan Province; those believing it was "somewhat serious" or "more serious" amounted to 5.1 percent in Taipei City, 4.4 percent in Kaohsiung, and 1.6 percent in Taiwan Province.

As for the election bribery situation regarding provincial assemblymen and city council members, those who believed the situation "very much improved" or "somewhat improved" constituted 56.5 percent of respondents in Taipei City, 54.1 percent in Kaohsiung, and 58.7 percent in Taiwan Province; those believing that things were "roughly the same" amounted to 34.7 percent in Taipei City, 32.8 percent in Kaohsiung, and 30.3 percent in Taiwan Province; those believing that things were "somewhat serious" or "more serious" amounted to 5.7, 11.1, and 5.4 percent of respondents in Taipei City, Kaohsiung, and Taiwan Province, respectively.

In addition, on the issue of election violence, around 60 percent of respondents in Taipei, Kaohsiung, and Taiwan Province believed that there was some improvement, and as for views on mudslinging against opponents, close to 90 percent of those surveyed indicated that they could not approve of this.

The public opinion poll reporters, Chang Lin-tong [7022 2651 2639], director of the Teachers' University Social Education Institute, and Hu You-wei [5170 1635 0251], assistant professor of the Social Education Department, hold that what emerges from the survey is that a majority of citizens believe that the election bribery situation has seen some improvement, and it is evident that the anticorruption activity called for by the government and civilian groups has garnered the approval of the public, but what is worth noting is that those answering that the bribery situation was "roughly the same" as in the past

for provincial governors and mayors amounted to only 20 percent, while for provincial assemblymen and city council members the figure was 30 percent, indicating that the provincial assemblymen and city council member election bribery situation is more serious than is the case for governors and mayors.

Professor Huang Te-fu [7806 1795 4395], of the Political University Politics Department, had a different take on this public opinion survey. Huang states that though only around 5 percent of the survey respondents believed that election bribery was more serious than previously, those answering that it was "roughly the same" amounted to 20 and 30 percent, and these respondents could believe that election bribery was just as serious as it was before, which means that the election process still needs to be cleaned up, and is worthy of the attention of police administration units. [passage omitted]

#### \*Physicist Challenges Optimistic View

95CM0101B Taipei TZULI WANPAO in Chinese  
11 Dec 94 p 3

[Article by Lin Run-yi (2651 0193 5030), Donghai University Physics Department professor: " Do the General Elections Reflect the Maturing of Taiwan's Democracy? Terminally Laughable"]

[FBIS Translated Excerpt] Following the December 3 general elections, various commentaries have come swarming out of their cages like bees. The most difficult thing for people to accept was one commentary by a political scientist, that for the most part highly praised the success of this general election, and praised it as a manifestation of the maturing of the development of democracy on Taiwan. For a person who has participated in three general elections (legislator, national representative, mayor), and in this election directly participated in the selection of candidate Chen Ting-nan [7115 1353 0589], I see this type of commentary making people very angry. The concept of democracy of this political scientist is very superficial. In fact, what expectations can we have about the progress of Taiwan's democracy?

Any general election observers who would come out of their ivory towers would see that this general election had even more flagrant election bribery and administrative vote buying than past elections. The ruling party's transparent provincial governor election, a huge smoke screen, and the public buying of votes by provincial assembly members without batting an eyelid, attracted everyone's attention and censure. Monetary bribery and administrative vote buying were rampant in the organization of this election, and the extent of its scope and the perfection of its methods were unprecedented. There was a greater voting rate than in previous elections, and this was not the result of great interest in the general election for governors, but was due to the seduction caused by a great deal of money and was achieved under threat of administrative coercion. If one only talks about having or not having the election or looks at the winners and

losers in the election, then one can shout that this represents the maturing of democracy, but in reality there is too much of a lack of understanding of democracy.

Whether or not a society's democracy is mature or not is, of course, indicated by certain criterion. One of these is that, in addition to having on-schedule elections, it is even more important whether or not the elections have "meaning." In other words, the issue is whether or not an election genuinely reflects the popular will. Under conditions of election bribery and administrative vote buying, no matter how high the voting rate, the election has little meaning. China's National Peoples' Congress elections are also carried out on schedule, and there is a 100 percent voting rate, but everyone knows that this type of election is a farce, with only the most trifling significance. [passage omitted]

Another criterion indicating the maturing of a democracy is that the society possesses a strong and free press and people have other ways to exchange information, as well as the right to debate. Taiwan's government forcibly controls television communications channels and brazenly violates the basic principle of freedom of the press. In this general election, this was even more thoroughly exposed than before. Would this type of antipopular, antidemocratic approach in any democratic society, with people through any means forcibly destroying three television stations, be considered by the public a just display? (How peaceful the people of Taiwan are!). When public opinion is attacked, and the ruling party candidate brags unblushingly about his rejection of a televised debate, would people put up with this in any democratic society? Everywhere they are blowing the trumpet of the maturing of democracy, and the miracle of democracy, in reality this is making people blush with shame.

Democratic control of the military and police is another criterion pointing to the maturing of democracy. In other words, the military and police must only maintain neutrality, and cannot operate as an arm of a political party. But whether it is the governor, the mayor, or even the police administration, they cannot handle this neutrality (there are also auditing, personnel, and political style, etc. functions), and they only follow KMT instructions. What kind of democracy can this be considered, let along talking about any kind of maturing of democracy.

The judiciary has time and again acted as a tool of the KMT and been attacked by public opinion for close to half a century. But the independence of the judiciary has not yet progressed much along with the process of democratization on Taiwan. The KMT use the judiciary to root out dissent, and it acts at its own discretion, drawing the castigation of the masses and the indignation of society. But in this election the judiciary was again used by the ruling party and was represented in the popular will as a tool to intimidate and blackmail (there were instances of district and city council members and magistrates being indicted and sentenced), and the phenomena of coerced pledges of loyalty and coercion to

assist in the elections, are in fact methods the KMT dares to use to obtain results. If the judiciary is not independent, how can a democracy be mature?

In this election, civilian organizations, such as industrial and commercial groups, continued to publish statements in newspapers intimidating and threatening the people of Taiwan and indirectly encouraging China to use force to attack Taiwan. In fact these were strange phenomena that were antipopular and antidemocratic. This use of false civilian names while accepting control by a political party, and the fact that Taiwan society is filled with politicized organizations with little in the way of their

own initiative, is one reason why there is no way for Taiwan's democracy to mature. The maturation of democracy requires dynamic civilian mass organizational activity involving "sovereignty of the people" and letting citizens use their own initiative to care for the development of their own native soil, culture, and education, while not accepting interference from politics and political parties. Only in this manner will it be possible for the Taiwan's electorate to be able to soberly overcome one-way political fanaticism, choose the best candidate, and develop a mature democratic politics. [passage omitted]

## Hong Kong

### Prominent PRC Critic Hails Media Coverage

HK2302044495 Hong Kong *EASTERN EXPRESS* in English 23 Feb 95 p 8

[By Didi Tatlow]

[FBIS Transcribed Text] The Tangshan earthquake of August 1976 killed 242,000 people and injured 164,000, but Communist Party media officials still met to decide if people should know about the disaster, a well-known journalist and outspoken Chinese citizen, Dai Qing, said yesterday.

Journalists in China had their activities so tightly controlled by the party that self censorship had grown to massive proportions. "It's not easy to criticise people in China," Dai said, recounting how journalists from her own newspaper, *The Guangming Daily* [GUANGMING RIBAO], had shouted "Don't make that phonecall!" as they marched past Beijing's official New China News Agency (XINHUA) offices during the Tiananmen Square massacre in June 1989. "They were calling to the journalists inside not to report to their superiors," Dai said in Hong Kong yesterday.

She pointed to local coverage of the recent Shougang Corporation case as an example of the importance of Hong Kong's free press. The corporation's Hong Kong chairman, Zhou Beifang, was arrested last week. Dai called on members of Hong Kong's media to reveal corruption in China whenever they came across it, since under the structure of Chinese journalism, Chinese journalists could not expose it themselves.

Dai, who is a figurehead for opposition to the government's proposed Three Gorges dam on the Yangtze River, said that it was a trip to Hong Kong in 1988 which first attracted her attention to the project. She became an opponent after she noticed how much interest people in Hong Kong were paying it. "What the Hong Kong media is doing to show up corruption is very positive and I hope that it continues to do this kind of work," she said.

"Critical reports about people are criticisms," she said, referring to the practice, common during the Cultural Revolution, of obtaining a person's co-operation in his own censure, "so corruption cannot be reported because people have to agree". Individual journalists could do nothing to report corruption, and were, in many cases, corrupt themselves.

Dai did not condemn the phenomenon completely, saying that it could at least lead to more news getting out, and predicted that the situation would improve as the readership became more demanding. "Readers in China will demand better articles and better reporting," she said.

Her own reports from China's Yunnan province, where China was fighting a war with Vietnam in 1979, were rejected by her newspaper because she reported that

soldiers on the frontline were given just 0.85 yuan (HK0.77c) worth of food rations every day.

"All news in China is policy, and all policy is news, ever since Mao Zedong established his absolute power over the Communist Party in Yanan in 1942," she said. "Social news was banned, so no corruption could be exposed. "The nature of your media reflects the nature of your society," she said.

### Remarks Seen as Sign of More Flexible PRC Policy

HK2302053095 Hong Kong *EASTERN EXPRESS* in English 23 Feb 95 p 14

[Editorial: "Jiang Directing at Crossroads"]

[FBIS Transcribed Text] Jiang Zemin, the General Secretary of the Chinese Communist Party, is making every effort to consolidate his political power. He intends to prove to the world that he will be a leader to stand on his own feet in the post-Deng era, such as President Lee Teng-hui of Taiwan, rather than the politically short-lived former Communist Party chairman, Hua Guofeng, in the late 1970s.

Jiang released a speech over lunar new year calling for reconciliation with Taiwan, and the friendly and moderate tone impressed many of his critics. The order for the detention of the former chairman of Shougang International, Zhou Beifang, and the sacking of his father are believed to have been endorsed by Jiang. It signals that he may feel confident enough to root out entrenched corruption among those close to Deng Xiaoping's family, thus establishing a favourable image.

Earlier this week, Wang Daohan, a former mayor of Shanghai and now a senior official in charge of China's policy towards Taiwan, warned that China should handle its Hong Kong policy more pragmatically. He said China should be careful not to hurt the morale of the Hong Kong civil service by labelling it a colonial weapon left behind by Britain. Commenting on the practice of displaying the clock that counts down to the 1997 takeover, Wang said this would make Hong Kong people feel too nervous.

Such comments, reflecting only a reasonable degree of common sense, have been absent from the verbal arsenal of Chinese officials in recent years. Wang was known for his liberalism during his official time in Shanghai. He is a member of Jiang's think tank, and it looks increasingly likely that China's policy towards Taiwan and Hong Kong may become less totalitarian as Deng wanes. Although it may be too premature to conclude that a post-Deng China could be a more tolerant and moderate regime, provided that Jiang inherits the central power smoothly and successfully, Wang's remarks represent a silver lining of hope—at least in the present climate of xenophobia and rigidity.

It is most sad for Hong Kong people and, to a certain degree, the West, to have to wait for the Chinese government to see common sense on diplomacy and Hong

Kong policy, when timing is unfortunately linked with the longevity of Deng and other old leaders. It is dangerous for any candidate for central power to show his true colours at the wrong time. Judging from the new developments in China in the past month, it is safe to say now that the Deng dynasty has already come to its end.

The next generation of the Chinese leadership, including Jiang and the Premier, Li Peng, stands at the crossroads of history. The end of Deng's dynasty is not the end of China's troubles, but will provide a golden opportunity for any successor to turn over a new page. Deng will be blamed for all the evils committed by the party during his era, particularly the June 4 massacre. Let us wish Jiang, who remains the strongest player on the stage of political struggle, the best of luck.

#### Preliminary Working Committee Discusses Passport Issue

OW2302064495 Beijing XINHUA Domestic Service in Chinese 1214 GMT 22 Feb 95

[FBIS Translated Text] Beijing, 22 Feb (XINHUA)—The society and security subcommittee of the Preliminary Working Committee of the Preparatory Committee of the Hong Kong Special Administrative Region [SAR] held its eighth meeting from 21 to 22 February to continue discussions on issuing travel documents of the Special Administrative Region.

Members of the subcommittee felt that consideration should be given to the following three factors on the issuance of the region's travel documents: 1. The stipulation of Article 154 of the Hong Kong SAR Basic Law on the issuance of SAR travel documents must be complied with while issuing the region's travel documents; 2. for a smooth transition of Hong Kong, existing Hong Kong immigration laws and relevant administrative stipulations shall remain basically unchanged after 1997, apart from those that contradict the Basic Law and need to be revised; 3. as travel documents are their holders' personal identification during international travel, international practice must be complied with when issuing travel documents for international recognition and for convenience of Hong Kong residents travelling abroad. Regarding the question on "issuing travel documents of the Hong Kong SAR of the People's Republic of China to other persons lawfully residing in the Hong Kong SAR," members of the subcommittee felt that "other persons lawfully residing in the Hong Kong SAR" refers to people other than those who are eligible to apply for passports of the Hong Kong SAR. This indicates that people must be lawful residents to qualify for application for the region's travel documents. However, it does not mean that all people who lawfully enter and stay in Hong Kong can apply for the SAR travel documents. The SAR laws shall be applied to specifically determine whom among the lawful residents will be issued SAR travel documents.

Members of the subcommittee also discussed categories and scope of issuance for SAR travel documents.

#### Agrees To Limit Entitlement

HK2302053295 Hong Kong HONGKONG STANDARD in English 23 Feb 95 p 3

[By M Y Sung in Beijing]

[FBIS Transcribed Text] Hong Kong people holding foreign travel documents will not be eligible for Special Administrative Region (SAR) passports or travel documents after July 1997. This was the consensus of the Preliminary Working Committee's (PWC) social security sub-group, which completed a two-day meeting yesterday. It agreed that SAR travel documents should only be issued to people who were not able to obtain passports or travel documents from other countries.

Hong Kong team leader Rita Fan said the decision was based on international practice and the Basic Law. "Those who are eligible for the SAR travel documents are subject to the condition that they do not have other countries' passports or travel documents. If SAR travel document holders obtain other countries' passports or travel documents, their SAR documents should be cancelled," Ms Fan said.

The only exception to the rule is the British National Overseas (BNO) document whose holders will be able to apply for SAR passports. Bound by the Sino-British Joint Declaration, China has to allow BNO holders to retain their British travel document although their British nationality is not recognised.

Article 154 of the Basic Law stipulates the SAR government should issue travel documents, in accordance with the law, to "all other persons lawfully residing" in the territory. The advisory body said that it would not mean that all those who lawfully entered the territory were eligible to apply for travel documents from the SAR government after 1997. "Who will be eligible for the SAR travel documents should be stipulated by the law of the SAR," it said.

If the existing entry and exit control system remains unchanged, the three types of people eligible for SAR travel documents are permanent residents, residents with unconditional stay, and residents with conditional stay. According to the Basic Law, permanent residents who are ethnic Chinese are eligible for SAR passports, but the travel document for non-permanent residents has not yet been resolved.

PWC members are split over whether both the Certificate of Identity (CI) and Document of Identity (DI) should be retained or whether the CI should be abolished and a note added to the DI stating the holder's status. The DI, valid for seven years, will remain a travel document for those with conditional or unconditional stay after 1997.

#### Role of 'Political Influence' in CITIC Viewed

HK2202131395 Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) in English 21 Feb 95 p 10

[By Foo Choy Peng and Peggy Sito: "Shougang Shows Political Influence Can Hurt as Well"]

[FBIS Transcribed Text] The lesson from the Shougang affair is that political patronage cuts both ways. When the political balance shifts, so can the fortunes of those who are too heavily dependent on them. There is no substitute for basic business acumen.

Nothing illustrates this more clearly than the contrasting fortunes of the China International Trust and Investment Corp (CITIC) and Shougang Corp. While CITIC has built solidly on its early political advantages and transformed itself into a respected conglomerate, especially in Hong Kong, Shougang had a hard time convincing major brokerages that its listed subsidiaries here were worth following.

Set up in 1978 by Rong Yiren, the "Red Capitalist", before becoming China's Vice-President about two years ago, CITIC was granted special autonomy by the state Council to develop its business at home and abroad because of the founder's close ties with China's paramount leader, Deng Xiaoping. But instead of resting on its laurels, CITIC built its business and contacts with a vengeance in Hong Kong through Larry Yung Chikin, Mr Rong's son.

Under Mr Yung's leadership, CITIC, through CITIC Hong Kong, modernised its management and acquired stakes in some of the territory's prominent companies, such as Hongkong Telecom, Cathay Pacific Airways and Dragonair. Today, CITIC Pacific, its subsidiary, is the most prominent Chinese blue chip firm on the Hang Seng Index.

"There is no doubt that CITIC has benefited from its political influence," said Nick Ni, associate director, corporate finance, at Nomura International.

"Yet there is no denying it has gone a long way in building up a relatively sound management with a solid, diversified business base."

Unlike other "princelings" in Hong Kong, Mr Yung does not avoid exposure, and has helped to turn CITIC Pacific into what is probably the most accessible of Chinese firms in the territory. But his access to the corridors of power in Beijing makes him vulnerable to rumours that dog princelings despite his efforts to distance himself from politics.

Recently, unsubstantiated reports suggested that Mr Yung was being investigation by the central authorities, a rumour that was flatly denied by his deputy, Henry Fan Hung-ling, and those following the stock in Hong Kong. "Neither Mr Yung and the two companies—CITIC Hong Kong and CITIC Pacific is under investigation by the Central Government," said Mr Fan. "He is still in Hong Kong, not in Beijing. But he will go to Beijing next week to attend the Chinese Communist Party's People's Consultative Committee meeting."

Mr Fan said investor confidence in CITIC Pacific would not be affected by the Shougang case because it was a Hong Kong-based company, under the territory's governing law. "CITIC Pacific was incorporated in Hong Kong and mainly managed by Hong Kong people" he said.

"What is the relationship between Deng Xiaoping and CITIC Pacific? He is not a shareholder in the company." To show the management's confidence in the firm, Mr Fan said CITIC Pacific yesterday bought back 500,000 shares in the company for a price ranging from \$17.60 to \$17.75 [Hong Kong dollars].

Unfortunately, Shougang has been unable to achieve as much as CITIC although it has a far longer history. Much as Shougang's new top guns try to dismiss the arrest of its Hong Kong chief, Zhou Beifang, in Beijing, as a personal matter, the group has undoubtedly frittered away the political advantage that comes from close ties with Deng. "Shougang relied just too much on its political influence with Deng without beefing up with operations substantially," said an analyst at Morgan Grenfell Asia Securities. "So, when the mentor is in danger of losing his grip, Shougang naturally is affected."

Zhou was arrested in Beijing on February 13 for unspecified "serious economic crimes" shortly before his father, Zhou Guanwu, announced his retirement as Shougang Corp's president. In the heyday of Mr Deng's reign, no one would have dared to touch the Zhous, but, apparently, their fortunes are on the decline, like Mr Deng's health. "In more ways than one Shougang has failed to establish a strong name for itself abroad and so has been unable to cushion itself against any political vicissitudes," said the Morgan Grenfell analyst.

Analysts believe that any Chinese group attempting to carve a niche overseas requires political clout. How well that influence is used determines the group's survival in China's political ups and downs.

On the surface, the Shougang affair can be seen as one person having broken the rules. This could happen in any organisation, and does not necessarily indicate a fundamental weakness in a company. But the firm seems to have been unable to develop itself to the extent that CITIC did and is now seen as potentially vulnerable.

#### Technical Support Vital to PRC CD Pirates

HK2302044295 Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) in English 23 Feb 95 p 2

[By Steve Ball]

[FBIS Transcribed Text] Many compact disc (CD) factories in China accused of CD piracy are Hong Kong joint ventures kept running by Hong Kong technicians, investigators and industry sources say. Hong Kong joint ventures are on the United States Government hit-list of 29 CD factories, International Federation of the Phonographic Industry regional director Giouw Jui Chian said.

Mr Giouw said a Hong Kong joint venture factory in Foshan which had CD and laser disc production lines had recently been raided by Guangdong officials and 370,000 CDs were seized. "That one was definitely a Hong Kong investment." He said Hong Kong played a crucial role in

China's pirate CD industry from production to market. Hong Kong engineers repaired the Chinese CD making equipment when it broke down while Kai Tak airport was, until recently, a major export route for millions of pirate CDs. "Hong Kong is very important. The investment came from Hong Kong. Hong Kong provided the technical assistance. A lot of people in Hong Kong are the middlemen. They are getting the orders for the Chinese and they are marketing the goods."

According to estimates, China produces 75 million pirate CDs each year. Mr Giow said more than half the CD factories in China were joint ventures with Hong Kong or Taiwanese partners. Other CD industry sources put the figure as high as 80 per cent. Even the Taiwanese joint ventures would be based in Hong Kong, Mr Giow said. "The Taiwanese can't have direct investment in China so they create Hong Kong registered companies and use them."

Valerie Colbourn, vice president of computer industry group Business Software Alliance, said: "There is substantial Hong Kong and Taiwanese involvement. "They know there is a lot of money to be made very quickly." She said copyright piracy used to be widespread in Taiwan, but like many legitimate businesses the pirate CD industry had moved its manufacturing base into China. "It is always very difficult for us to trace the people that actually have the money and the control," Ms Colbourn said. A US trade diplomat said it was almost impossible to prove beyond all reasonable doubt that the Hong Kong partners were aware their factory was operating illegally.

Mr Giow said a pirate CD factory could be very profitable. "The initial investment costs around US\$2 million for each factory," he said. "Given that a typical factory can produce 200,000 discs a month for \$1 profit on each disc they break even within a year.

A businessman with close links to the CD manufacturing industry said technical support from Hong Kong was vital to the Chinese factories. "Compared with CD factories in Hong Kong, the factories in China are not very well run," he said. "Their downtime is comparatively high. There could be a breakdown once a month or, in some factories as often as three or four times a month. When they have a problem they call in Hong Kong engineers—it's in the contract."

#### **Universities Set Up Computer Link With Mainland**

*HK2302044195 Hong Kong SOUTH CHINA MORNING POST in English 23 Feb 95 p 10*

[By Denise Cheung]

[FBIS Transcribed Text] The seven tertiary institutes in Hong Kong are setting up a direct computer network to connect 10 major universities in China to facilitate the flow of information and academic exchange across the border. The University Grant Committee (UGC) of Hong Kong has allocated \$3 million for the connection of the China Education and Research Network and the Hong Kong Academic and Research Network.

City University of Hong Kong, which has been engaged in research and study on the issue for the past few years, was assigned to be the territory's touch-down point by the Heads of Universities Committee in December. It will be responsible for the technical connection with 10 mainland institutes including Qinghua University (the touch down point in China), Beijing University, Shanghai Jiaotong University, Fudan University, Xian Jiaotong University and Guangzhou Huanan University.

Poon Kee-ho, the head of the Computer Centre, City University, said that institutes in Hong Kong could at present communicate with three universities in Beijing—Beijing University, Qinghua University and Beijing Institute of Science—via Internet, but all transmissions had to go through the United States. "Such indirect flow of information puts a heavy burden on the network and limits the speed of transmission," he said.

For the past three years, City University has been working with Qinghua University to set up a direct communication network without going via the US. The project, however, has yet to be implemented because of mainland budget limitations. "Last year, the State Education Commission of China recognised the need to establish linkage among academic institutes both within and beyond the country," said Mr Poon. "Part of their plan involved setting up a communication network with the institutions in the territory and the State Education Commission has allocated funding to pursue the project with us." Mr Poon said the network required an annual running cost of approximately \$1 million and the amount would be split equally between the two parties. "In fact, the City University has allocated \$500,000 a year for the project and we have yet to make use of the \$3 million UGC grant," he said.

The first phase of the plan involved only 10 universities in China but it was hoped that more would be connected in the next few years, said Mr Poon. The preparatory work at the Hong Kong base was complete and the network could be connected once the circuit in Beijing was ready. However, that could take some time, Mr Poon said. "The communication system in China is quite backward and it may take months to get the connection ready. But we hope the network can be established by May," he added.

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